INDO-PACIFIC ECONOMIC CORRIDOR

PHASE II: ASSESSMENT OF NON-TARIFF BARRIERS IN SOUTH ASIA

Asia and the Middle East Economic Growth Best Practices (AMEG) Project
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CONTENTS

ACRONYMS

ADB	Asian Development Bank
AMEG	Asia and Middle East Economic Growth Best Practices
ANSI	American National Standards Institute
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BBNI MVA	Bangladesh-Bhutan-Nepal-India Motor Vehicle Agreement
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIS	Bureau of Indian Standards
BSTI	Bangladesh Standards and Testing Institution
BUILD	Business Initiative Leading Development of Bangladesh
CII	Confederation of Indian Industry
CUTS	Consumer Unity & Trust Society
DCCI	Dhaka Chamber of Commerce and Industry
DfID	U.K. Department for International Development
DTF	distance to frontier score
EDI	Electronic Data Interchange
ETCA	Economic and Technology Cooperation Agreement
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
FDI	foreign direct investment
FICCI	Federation of Indian Chambers of Commerce and Industry
FSSAI	Food Safety and Standards Authority of India
FTA	Free Trade Agreement
GDP	gross domestic product
GMS	Greater Mekong Sub-region
ICP	integrated check-post
ICRIER	Indian Council for Research on International Economic Relations
IFC	International Finance Corporation
IPEC	Indo-Pacific Economic Corridor
IPS	Institute of Policy Studies
ITC	International Trade Center

LPI	Logistics Performance Index
MARCA	Multilateral Arrangement of Conformity Assessment
MCCI	Metropolitan Chamber of Commerce and Industry
NBF	Nepal Business Forum
NORAD	Norwegian Agency for Development Cooperation
NTBs	non-tariff barriers
NTFC	National Trade Facilitation Committee
NTFCs	national trade facilitation committees
NTMs	non-tariff measures
OECD	Organization for Economic Cooperation and Development
RKC	Revised Kyoto Convention on Customs Procedure Simplification and Harmonization
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asia Free Trade Agreement
SANEM	South Asian Network on Economic Modeling
SARSO	South Asian Regional Standards Organization
SASEC	South Asia Sub-regional Economic Cooperation
SAWTEE	South Asia Watch on Trade, Economics, and Environment
SCCI	SAARC Chamber of Commerce and Industry
SLSI	Sri Lanka Standards Institute
SMEs	small-to-medium enterprises
SPS	sanitary and phytosanitary
TBT	technical barriers to trade
TFA	Trade Facilitation Agreement
TPN	Trade Promotion Network (SAARC-TPN)
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNRC	United Nations Regional Commission

EXECUTIVE SUMMARY

The United States' economic future is inextricably linked to South and Southeast Asia. In 2014, the United States exported more than $100 billion worth of goods and services to South and Southeast Asia, and about 7 percent of our imports (valued at $179 billion dollars) currently come from those regions.[1] The United States is committed to increasing its economic relationship with South and Southeast Asia and to ensuring that the benefits are broadly shared. This shared prosperity is founded on sustainable inclusive growth, which cannot happen without increased trade, investment, and integration throughout the region.

The stakes for regional economic integration in South Asia are clearly high, and its prospects are bright, but significant challenges remain. Today, given the reduction in tariffs, reliable market access has come to depend on compliance with regulatory measures in the destination market. In an increasingly connected global economy, high trade and logistics costs reduce supply chain efficiency and the ability of South Asian countries to compete in regional and global supply chains. With the reduction in traditional trade costs, non-tariff measures (NTMs), including the lack of efficient trade facilitation and logistics, are often now the primary obstacles to increasing trade and realizing economic potential among South Asian countries.

To support the United States' vision of an Indo-Pacific Economic Corridor (IPEC), the U.S. government will undertake activities to promote greater regional economic connectivity in Asia. USAID, in collaboration with the U.S. State Department — which funded this activity with its centrally managed funds for advancing regional cooperation in South Asia — will implement a two-year, $1.86 million activity to:

- Foster economic growth and regional trade in South Asia
- Increase private sector competitiveness in the region by enhancing the business environment
- Engage the private sector on economic issues, particularly regional trade, in South Asia and between South and Southeast Asia
- Encourage stronger economic integration between South and Southeast Asia, engaging regional institutions and international financial institutions as appropriate

This USAID activity will focus solely on economic integration through trade, investment, and private sector engagement. Through this activity, USAID will build on the Coordinated Regional Trade Assessment developed under IPEC Phase I. IPEC Phase II conducted an in-depth field assessment to confirm Phase I findings and developed a prioritized action plan for addressing key non-tariff barriers (NTBs) that prevent or impede intra-regional trade and investment in South Asia, and that the U.S. government has a comparative advantage in helping to address. This report summarizes the diagnostics and recommendations of the IPEC Phase II effort.

[1] http://www.trademap.org/

South Asia and South East Asia have the potential to dramatically increase regional trade. Empirical evidence shows that gains from inter-regional trade between South Asia and East Asia are potentially large. Gravity model results suggest that if remaining barriers between the two regions and within South Asia are dismantled, South Asia's trade with East Asia could triple to some $450 billion annually from the current $150 billion, and intra-regional trade between South Asian countries could grow to $87 billion, as compared to an average actual trade of roughly $12 billion per year (World Bank, 2013). Given complementary economic structures and specialization possibilities, the larger market, which will result in deeper integration, will boost trade and investment. These gains will be even bigger if countries in South Asia succeed in integrating more closely with each other.

Resolving NTBs has the largest pay-off for South Asia countries. A recent study indicates that an aggregate potential savings from removing South Asian NTBs would be around $1.22 billion a year. Using the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)-World Bank Trade Cost Database, the Joint UNRC[2] calculated a related concept: the intra-regional trade costs, excluding tariffs, show that the average total non-tariff cost of trading goods among Bangladesh, India, Sri Lanka, and Pakistan is equivalent to a 114 percent average tariff on the transaction value of goods, i.e. more than the value of the goods themselves. In contrast, non-tariff trade costs among the middle-income members of the Association of Southeast Asian Nations (ASEAN) are equivalent to a 76 percent tariff, and are only 43 percent among Germany, France.

Standards are the most disruptive barrier to increasing trade among South Asian countries, along with para-tariffs, port restrictions, policy barriers, and trade facilitation. Based on the literature review, stakeholder interviews, and World Bank data, many NTBs in South Asian countries target agriculture products in the form of sanitary and phytosanitary (SPS) technical barriers to trade (TBT) measures. The most prevalent SPS- and TBT-related NTBs, in terms of frequency, are product quality or performance requirements, testing requirements, labeling requirements, packaging requirements, conformity assessment, and certification requirements. The second most frequent category of NTBs are within the purview of para-tariffs, such as surcharges, excise taxes, and additional charges that are assessed in addition to tariffs at the border and added directly to the costs of trade. Port restrictions are adopted mainly by India and discourage trade and affect small-to-medium enterprises (SMEs) disproportionately. There are also a range of other policy measures from export subsidies, import licensing requirements, and quota restrictions that deter regional trade. Finally, our interviews revealed a lack of coherent trade information on regulations governing imports and exports (for example, pre-registration and licensing requirements for imports).

Other major obstacles to reducing transaction costs to regional trade include customs and border-related measures. South Asia is also characterized by inefficient or weak customs procedures, which increase clearance time, excessive paperwork requirements, a lack of standardized documents, and a lack of transparency in inspection and documentation requirements, which complicate administrative procedures and increase border waiting time.

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[2] Trade Facilitation and Paperless Trade Implementation Survey 2015 Global Report, page 3 http://unnext.unescap.org/UNTFsurvey2015.asp.

Recent United Nations Regional Commission (UNRC) survey findings show that South Asia had the least progress in cross-border paperless trade based on measures relating to exchange of information between countries and e-commerce. This finding was reflected in our discussions with customs officials and traders; although informal sharing of information occurs across border posts between customs actors, there is almost no formal exchange and no electronic data exchange. This is of particular concern for efforts to encourage intra-regional trade in South Asia. Every national customs agency in South Asia is in the complex phase of transitioning from manual processing to automation. This often increases compliance and administration costs as traders and officials deal with both hard copies of documents and an electronic declaration. In addition, border agencies have historically not shared information with each other and resist automation.

The NTBs discussed above are the most high-impact in terms of exports and investment. Agriculture plays an important role in providing livelihoods and food security in South Asia. Agriculture contributes to 12 and 36 percent of the gross domestic product (GDP) in Sri Lanka and Nepal, respectively. Agriculture is also a major employer, employing 30, 47, and 74 percent of people respectively in Sri Lanka, Bangladesh, and Nepal. Agriculture is also extremely critical in providing livelihoods and food security for large segments of rural populations, particularly for those communities along the long, porous borders between India and its smaller neighbors. Yet, agriculture attracts the most potent barriers — such as SPS/TBTs and para-tariffs — that can have a major effect on trade, production, and livelihoods across the region if removed. Our interviews confirmed the results of a survey-based country case study by the United Nations Conference on Trade and Development (UNCTAD, 2010), which found that TBT technical regulations and standards are a key obstacle to forming value-chain linkages in sectors such as textiles, leather, electrical, and chemical among India, Bangladesh, and Sri Lanka.

The shortlist of NTBs can garner the most proactive private sector support/champions. Private sector support will be critical to addressing NTBs across the region, because only the private sector can effectively identify and advocate for the removal of NTBs. We held in-depth discussions with leading private sector associations and chambers across the region to identify those with the interest and capacity that, with some support, could have a measurable effect on policymakers in their respective countries. Our field mission concluded the following, shown in Exhibit 1, as the most proactive private sector advocacy groups comprising chambers, think tanks, and other reform- minded lobbyists that are willing and able to forge partnerships for NTB resolution.

EXHIBIT 1. PRIVATE SECTOR ORGANIZATIONS ACTIVE/WILLING TO CHAMPION

COUNTRY	ORGANIZATION NAME	ILLUSTRATIVE AREAS OF DIALOGUE/ ADVOCACY
Bangladesh	MCCI, DCCI, BUILD, PRAN, SANEM, PRI, CPD	NTBs, other regulatory issues
India	CII, ICRIER, CUTS, RIS, FICCI	NTBs, trade facilitation
Nepal	SAWTEE, Nepal Business Forum	NTBs
Sri Lanka	ATN, IPS, Veritex, JAAF, AMCHAM	NTBs, customs, trade facilitation

The shortlist of NTBs also draws significant donor interest and public sector buy-in. There is a renewed sense of urgency by the central focal points in bilateral and multilateral trade negotiations, especially the respective Ministries of Commerce in Sri Lanka, Bangladesh, and Nepal, to resolve the most binding NTBs in the countries that make up the South Asian Association for Regional Cooperation (SAARC). Moreover, the new administration led by the prime minister of India has indicated a willingness to accommodate the trade interests of neighboring countries as part of the administration's five-year plan toward regional integration. This renewed sense of accommodation of regional interest was echoed by the private sector in India, which has close associations with the government.

With regard to donor support, the Asian Development Bank (ADB) supported the South Asia Sub-regional Economic Cooperation (SASEC) to establish a regional SPS working group under the SASEC Trade and Transport Committee by the end of 2016. This complements GIZ's efforts to set up NTB desks to support advocacy efforts. The World Bank recently initiated a new effort to undertake a deeper assessment of NTBs on key products of interest to Bangladesh-India and Nepal-India. The International Finance Corporation (IFC) has shown an interest in supporting public-private dialogue in India. Meanwhile, there is also a higher donor engagement and interest on trade facilitation issues by the ADB, the U.K. Department for International Development (DfID), and the World Bank. ADB and the World Bank, in particular, have concentrated their assistance on enhancing trade through land borders, generally with the goal of promoting intra-regional trade, with only the occasional port facilitation initiative. There are other accounts of ADB and World Bank assistance in supporting trade and transit facilitation, including the recent Bangladesh-Bhutan-Nepal-India Motor Vehicle Agreement (BBNI MVA). These are likely to complement USAID interventions in trade facilitation.

The current public-private dialogue architecture to resolve regional NTBs in South Asia is weak. A number of private sector advocacy and public-private dialogue mechanisms to resolve regional trade exist throughout the South Asia region, but their effectiveness varies and, in many cases, key stakeholder interests are not fully reflected. NTB issues are currently dealt with under an inter-governmental stakeholder consultative framework under the South Asia Free Trade Agreement (SAFTA) and bilateral inter-governmental meetings. The development of a more effective framework for intra-regional trade, particularly to address NTBs, should ensure a systematic and harmonious approach to designing, implementing, coordinating, monitoring, and evaluating advocacy initiatives by providing a common frame of reference and guidelines to multiple stakeholders, including government agencies, business organizations, development partners, media organizations, the private sector, and other relevant institutions.

RECOMMENDATIONS

There should be a two-tiered strategy to address NTBs. First, facilitate a supporting mechanism (or architecture) for NTB reporting, monitoring, and advocacy, currently weak in South Asia. Second, identify specific interventions to address the high-priority NTBs identified in report. As illustrated in the table below, they include:

				Priority
NTBs	**Overarching Interventions**	Support the regional NTM agenda by organizing a workshop to design policy objectives and operational architecture for a new regional NTM desk, to be hosted at the SAARC Secretariat or the SAARC Chamber of Commerce and Industry (SCCI).		High
		Coordinate with DfID and other donors to explore seed funding to establish a web-based NTM reporting mechanism, to be hosted at SAARC Secretariat or the SCCI. Management of the portal could be assumed by either of these bodies.		High
	Specific Interventions to Address Prioritized NTBs	SPS/TBT	USAID/Commercial Law Development Program (CLDP) could support the South Asian Regional Standards Organization (SARSO) to develop rules for the Conformity Assessment Board and its technical committees to prepare for the implementation of the SAARC Agreement on Multilateral Arrangement of Conformity Assessment (MARCA).	High
			Support SARSO and SASEC to understand Nepal's concerns with MARCA and develop a program to facilitate implementation of the agreement.	High
			Support a mapping exercise to describe the location and capacity of all conformity assessment and accreditation bodies by sector and border crossing against the certification requirements of priority products traded within SASEC.	High
			Support the ADB to convene and establish the SASEC SPS/TBT subgroup through one or more events, for example, by hosting a deep dive for a regional audience on the findings of the SPS Country Diagnostic Studies expected to be completed by the end of 2016. USAID could present the results of the mapping study of conformity assessment and accreditation bodies.	High
		Promote Removal of Para-tariffs	Sri Lanka has initiated an assessment of para-tariffs on regional trade with support from the International Finance Corporation and the World Bank. USAID should support a similar effort in Bangladesh by commissioning an expert to conduct an analysis, with the aim of providing policy options for their elimination.	High
		Trade Information	Support a workshop in each country (India, Nepal, and Bangladesh) and invite all relevant public and private stakeholders. The workshop agenda should be geared toward communicating the efficacy of the portal and securing buy-in from all stakeholders, including other donors. The organization is delegated to CII (India), Ceylon Chamber (Sri Lanka), and the Nepal Business Forum (Nepal).	High
			Initiate discussions with the IFC/World Bank and ADB to support the development of the web portal in Sri Lanka and refine the exiting portal in India.	High

		Other NTBs (port restrictions, export subsidies, import licensing)	Support white papers targeted at the public sector to address the short list of identified NTBs, through a domestic reform champions, such as the Confederation of Indian Industry (CII) in India. The white papers will target the public sector to build and secure its buy-in.	High
			Support robust regional public-private dialogue through a regional workshop/seminar presenting the findings of white papers, complemented by other research from the Consumer Unity & Trust Society (CUTS), the South Asian Network on Economic Modeling (SANEM), and the Institute of Policy Studies (IPS).	High
Customs and Trade Facilitation	NTFC strategic planning	Host an event with NTFC representatives from across South Asia and ASEAN to share experiences and lessons learned for planning and implementing trade facilitation reform in their countries and regionally.		High
	Risk management awareness and training	Arrange a risk management workshop in Dhaka for border agency representatives and risk management experts to discuss evidence and increase awareness of risk management		Medium
	Single-window planning and best practice conference	Arrange single-window best practices conference for officials from border agencies in India, Bangladesh, Nepal, and Sri Lanka. Experts from ASEAN countries could be invited to present on operational and technical issues.		High
Borderless Alliance **(Piloted at Petropole/Benapole border)**	It is recommended that USAID supports the establishment of a bilateral border-crossing working group for the Petrapole-Benapole border crossing to expedite border-crossing times and decrease costs. USAID could follow-up by hosting a series of workshops under the sponsorship of the U.S. Consul General in Kolkata and the U.S. Embassy in Dhaka. Working group actions could include: i. Fully operationalizing the recently opened integrated check-post (ICP) ii. Implementing the BBNI MVA iii. Addressing the Bongaon truck parking situation iv. Ensuring border agency collaboration v. Ensuring appropriate risk management practices are implemented vi. Addressing Benapole warehousing requirements vii. Exploring joint-customs activities			High
	IPEC should support cross-border working group and customs cooperation at the Petrapole-Benapole border as a pilot for other border crossings. The private sector members of the working group could form the pilot Bay of Bengal Borderless Alliance			High

CHAPTER ONE

INTRODUCTION

THE UNITED STATES' VISION OF AN INDO-PACIFIC ECONOMIC CORRIDOR

The United States' economic future is inextricably linked to South and Southeast Asia. In 2014, the United States exported more than $100 billion worth of goods and services to South and Southeast Asia, and about 7 percent of its imports (valued at $179 billion dollars) come from these regions.[3] The United States is committed to increasing its economic relationship with South and Southeast Asia, and to ensuring that benefits are broadly shared. This shared prosperity is founded on sustainable inclusive growth, which cannot happen without increased trade, investment, and integration in the region.

The purpose of this study is to support the United States' vision of an Indo-Pacific Economic Corridor that bridges South and Southeast Asia to promote regional stability and economic prosperity. As part of the IPEC vision, the U.S. government will undertake activities to promote greater regional economic connectivity in Asia. USAID, in collaboration with the U.S. State Department — which funded this activity with its centrally managed funds for advancing regional cooperation in South Asia — will implement a two-year, $1.86-million activity to:

- Foster economic growth and regional trade in South Asia.
- Increase private sector competitiveness in the region by enhancing the business environment.
- Engage the private sector on economic issues, particularly regional trade in South Asia and trade between South and Southeast Asia.
- Encourage stronger economic integration between South and Southeast Asia, engaging regional institutions and international financial institutions as appropriate.
- The IPEC vision includes physical infrastructure, energy, trade integration, and increased people-to-people ties. This activity will focus solely on economic integration via trade, investment, and private sector engagement. Through a coordinated analysis with other U.S. government departments — such as the U.S. Department of State, USAID, Office of the United States Trade Representative, and the U.S. Department of Commerce — we will develop the foundation for IPEC and future long-term programming.

ABOUT IPEC PHASE II

Through this activity, USAID will build on the Coordinated Regional Trade Assessment developed under IPEC Phase I. In Phase II, the Asia and Middle East Economic Growth Best Practices (AMEG) program worked with USAID, the U.S. Department of State, and other U.S. government agencies, as well as host-government counterparts, international financial institutions, other donors, regional trade organizations, the private sector, and civil society to identify opportunities and action plans for IPEC to address obstacles to enhanced intra-regional

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[3] http://www.trademap.org/

trade in South Asia and inter-regional trade between South and Southeast Asia. Specifically, IPEC Phase II conducted an in-depth field assessment to confirm Phase I findings and develop a prioritized action plan for addressing key NTBs that prevent or impede intra-regional trade and investment in South Asia and that the U.S. government has a comparative advantage in helping to address. In addition, IPEC Phase II explored the feasibility of a borderless alliance for facilitating public-private dialogue and advancing reform efforts that would deepen South Asia regional integration.

ORGANIZATION OF THIS REPORT

Chapter 2 provides a synopsis of strategic direction for South Asia trade and regional trade performance and potential. A comprehensive review of NTBs and the short list to be addressed by USAID programming is covered in Chapter 3. It also discusses the potential impact on reforming the short list of NTBs. Chapter 4 reviews the customs and trade facilitation challenges that need to be addressed in South Asia to improve the transactions environment and increase supply chain efficiency. Chapter 5 evaluates the existing public-private dialogue mechanisms in South Asian countries. Chapter 6 concludes with recommendations and a comprehensive activity matrix (see Annex B) to leverage USAID programming to meet the stated objectives.

IPEC ASSESSMENT TEAM
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ASSESSMENT TEAM AND ACKNOWLEDGEMENTS

Nihal Pitigala led the overall design of the report and provided strategic vision and oversight management. Dr. Pitigala was supported by Geoff Wright, a customs and trade facilitation expert, and Blerta Picari, a technical program manager for the AMEG program, which is implemented by Chemonics International.

We would like to thank our USAID, U.S. State Department, U.S. government, and field counterparts for their valuable input during meetings and interviews, and for providing guidance and support throughout all of the phases of this report.

ABOUT AMEG

AMEG is designed to support USAID missions in developing effective and efficient economic growth programs that address technical and strategic challenges specific to countries in which USAID operates in Asia and the Middle East. Through AMEG, USAID conducts rapid and strategic economic growth assessments, pilots innovative approaches in economic growth programming, and consolidates and disseminates best practices on economic growth projects learned from USAID's implementation around the world.

CHAPTER TWO

REGIONAL TRADE PERFORMANCE AND POTENTIAL IN SOUTH ASIA

STRATEGIC DIRECTIONS FOR SOUTH ASIA TRADE, LOOKING EAST

The economies of South Asia and Southeast Asia are the fastest growing of the world. Recent reforms and events across the region enable closer economic ties and connectivity that were not feasible a few years ago, including political and economic reforms in Myanmar — a key land bridge between the two regions — and a new pro-business Indian government, which has signaled its intention to enhance cross-border infrastructure investments, deepen domestic economic reforms, and more importantly, advance India's new Act East Policy.

However, integration of trade, investment, and people-to-people contacts within South Asia and between South Asia and South East Asia while improving, has not realized its true potential, hindered by trade barriers, infrastructure weaknesses, bottlenecks and gaps in financial markets, lack of trade facilitation, and limited regional cooperation. Although negotiations are underway for the mega-regional Trans-Pacific Partnership and Regional Comprehensive Economic Partnership, most South Asian and Southeast Asian economies are currently excluded.

Although negotiations are underway for the mega-regional Trans-Pacific Partnership and Regional Comprehensive Economic Partnership, most South Asian and Southeast Asian economies are currently excluded.

Meanwhile, South Asia is at a turning point. Powered by the dynamic growth of the Indian economy, it is the fastest-growing region in the world. South Asia can be propelled faster to find its rightful place in the world if its member states develop as an integrated economy. The move toward a South Asian Association for Regional Cooperation provides for a large and more integrated market with notable purchasing power and scale economies, which will support integration of the two sub-continents.

A fundamental insight of economics is that international trade improves an economy's aggregate income. According to the World Bank, in the 1990s per capita real income grew more than three times faster for developing countries that lowered barriers to trade (5 percent per year) than for other developing countries (1.4 percent per year) (OECD, 2010). This is mainly due to the reallocation of production factors from less to more efficient activities along the lines of a country's comparative advantage. Regional integration can also make a significant contribution to addressing two of South Asia's biggest development challenges: poverty and conflict. These challenges are higher in border regions and landlocked areas — places that would benefit from growing trade and improved connectivity.

Moreover, empirical studies underscore the importance of investments in public infrastructure — physical and institutional — that can support the shift to new areas of economic activity, consistent with an economy's evolving factor endowments and factor prices, as well as complementary policies like trade facilitation and trade finance. Although economic relations between South Asia and Southeast Asia are at an early stage, they have great potential. The potential benefits of closer economic integration and cooperation include:

- Greater economic integration expands the market for goods and services, thereby increasing the scope for businesses to expand or achieve scale and greater competition. These can also infuse efficiency that helps spur economic growth.
- Integration facilitates the extension or movement of production networks from Southeast Asia and South Asia, where development of such networks has lagged, to take better advantage of wage differentials. These networks not only help large businesses, but also small and medium industries and poor and marginalized communities that tend to live in more remote areas.
- A more integrated region could attract more foreign direct investment, with its benefits of technology and knowledge transfer, higher productivity, and market access. The entry of export-oriented foreign direct investment and foreign buyers is an important means to connect firms with regional production networks and supply chains.
- A large and comprehensive free trade agreement (FTA) enables deeper and wider integration among member countries than would be feasible within a multilateral framework. Well-designed agreements, with modern and flexible rules of origin and international standards, can play a role in reducing trade costs for the spread of production networks.
- Cooperation on infrastructure and trade facilitation (e.g., transport, customs clearance, and product standards) and services (e.g., financial and labor services) would likely lead to a reduction in trade costs and result in welfare gains well in excess of gains from mere tariff liberalization.
- There are potential gains from greater cooperation among existing regional institutions. For example, stronger coordination between the Greater Mekong Sub-region (GMS), the South Asia Sub-Regional Economic Cooperation group, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) group could serve as a platform for developing longer and stronger economic corridors, anchored by cross-border infrastructure projects, and better managing the cross-border spread of infectious diseases, as well as reducing drug and human trafficking.

The stakes for regional economic integration are clearly high, and its prospects are bright, but significant challenges remain. Today, given the reduction in tariffs, reliable market access has come to depend as much on compliance with regulatory measures in the destination market as on the absence of prohibitive tariffs. In an increasingly connected global economy, high trade and logistics costs reduce supply chain efficiency and the ability of South Asian countries to compete in regional and global supply chains. With the reduction in traditional trade costs, non-tariff measures, including the lack of efficient trade facilitation and logistics, are often now the primary obstacles to increased market access (together with infrastructure constraints),[4]

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[4] Improving transport connectivity is a crucial building block for greater economic integration within and between countries. Key land barriers to cross-sub regional transport are located mainly in Myanmar; other challenges exist

especially between South Asian countries.

The Group of Eminent Persons[5] report had proposed the elimination of NTMs/NTBs within seven years of the signing of the SAFTA, yet NTBs remain quite high in South Asia and the SAFTA has not adequately addressed this issue. The agreement merely stipulates that member countries "inform" the SAARC of NTBs, "which would be reviewed by the SAARC Committee of Experts, and recommendations to reduce such trade restrictions would be taken into consideration." There was also no binding commitment for countries within the terms of SAFTA to eliminate NTMs/NTBs.

This report aims to verify IPEC Phase I findings and develop a prioritized action plan for addressing key NTBs that prevent or impede intra-regional trade and investment in South Asia, and that the U.S. government has a comparative advantage in helping to address, as well as targeted customs and trade facilitation measures that can be addressed. In addition, it succinctly explores the feasibility of setting a pilot regional alliance for facilitating public-private dialogue and advancing reform efforts that would deepen South Asia's regional integration.

OVERVIEW OF REGIONAL TRADE AND ITS POTENTIAL

South Asia and South East Asia have the potential to triple current trade. To put IPEC into context, it is important to understand the evolution, significance, and potential for both inter-regional trade and intra-regional trade in South Asia and South East Asia. First, the growth of South Asian and Southeast Asian inter-regional trade in recent years has been spectacular. It grew from $4 billion in 1990 to $90 billion in 2013,[6] an increase of roughly 22 times (see Exhibit 2). This is partly due to the fact that South East Asian countries are more open and outwardly oriented, and their tariffs have been continuously falling between 2000 and 2013. The effective applied manufacturing tariffs fell from 22 to 12 percent in South Asia and from 9 to 6 percent in Southeast Asia, making Southeast Asia arguably the most open region in the developing world (ADB, 2015). Structural and economic reforms have been an important driver behind the internationalization of South East Asian economies, while in South Asia, following India's "Act East" pivot, countries have forged a number of FTAs with South East Asian countries to further boost trade between the two regions.

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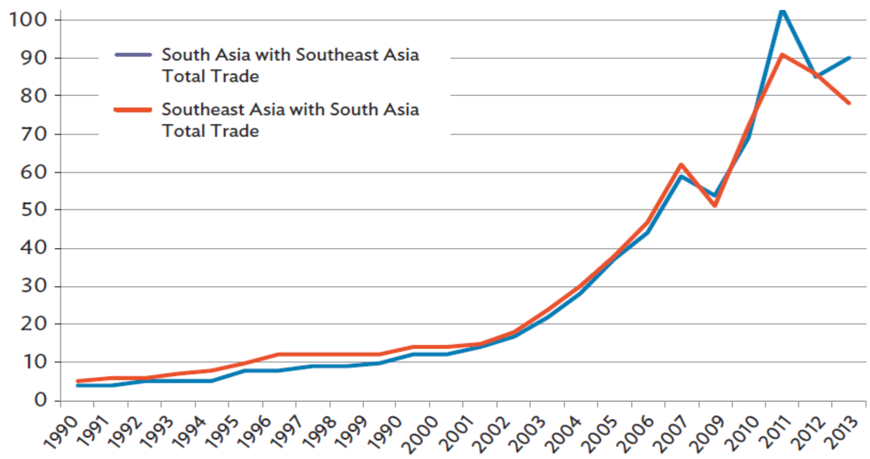
in Bangladesh, Cambodia, India, the Lao People's Democratic Republic, Thailand, and Viet Nam. Although road connections exist, many segments of the corridor need to be upgraded, especially in Bangladesh, India, and Myanmar. Moreover, there are no existing railway links between the Greater Mekong Sub region (GMS) countries and South Asia, and few that are compatible between the GMS countries themselves. While the bulk of cross-sub regional trade still moves by ship, important seaports for South Asia–Southeast Asia trade—notably Kolkata Port in India, Chittagong Port in Bangladesh, and Yangon Port in Myanmar—suffer from problems relating to limited accessibility for large ships, gaps in facilities, variable operational efficiency, and gaps in connectivity between seaports and rail and road networks.

[5] The Ninth SAARC Summit appointed a so called "Group of Eminent Persons" consisting of experts from SAARC member countries to undertake a comprehensive appraisal of SAARC and to develop an Agenda for 2000 and beyond.

[6] The most reliable bilateral data available in established data sources are up to 2013.

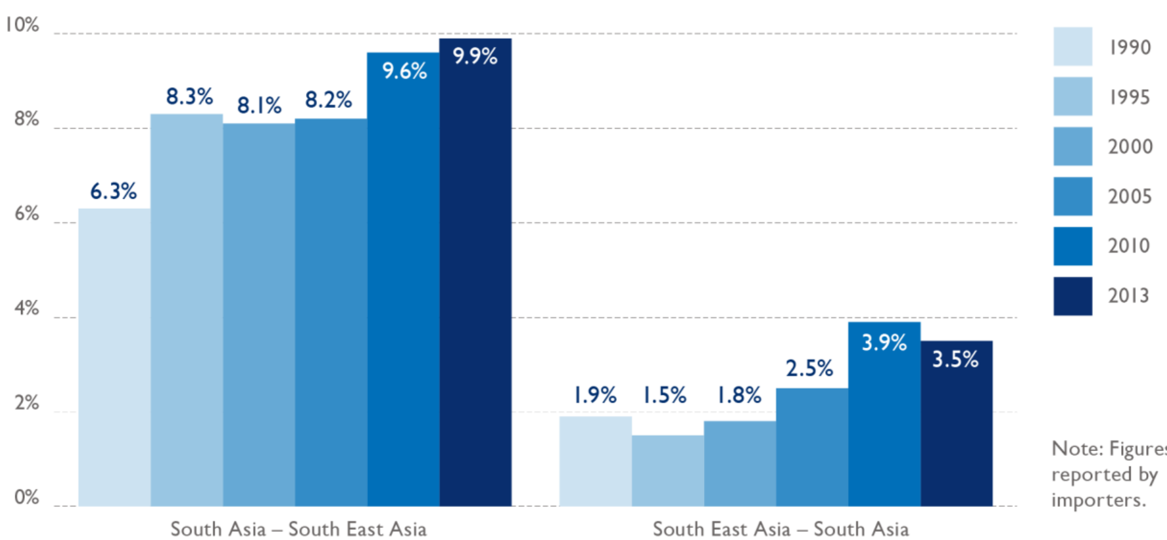
EXHIBIT 2. TRADE BETWEEN SOUTH AND SOUTH EAST ASIA



Source: ADB (2015)

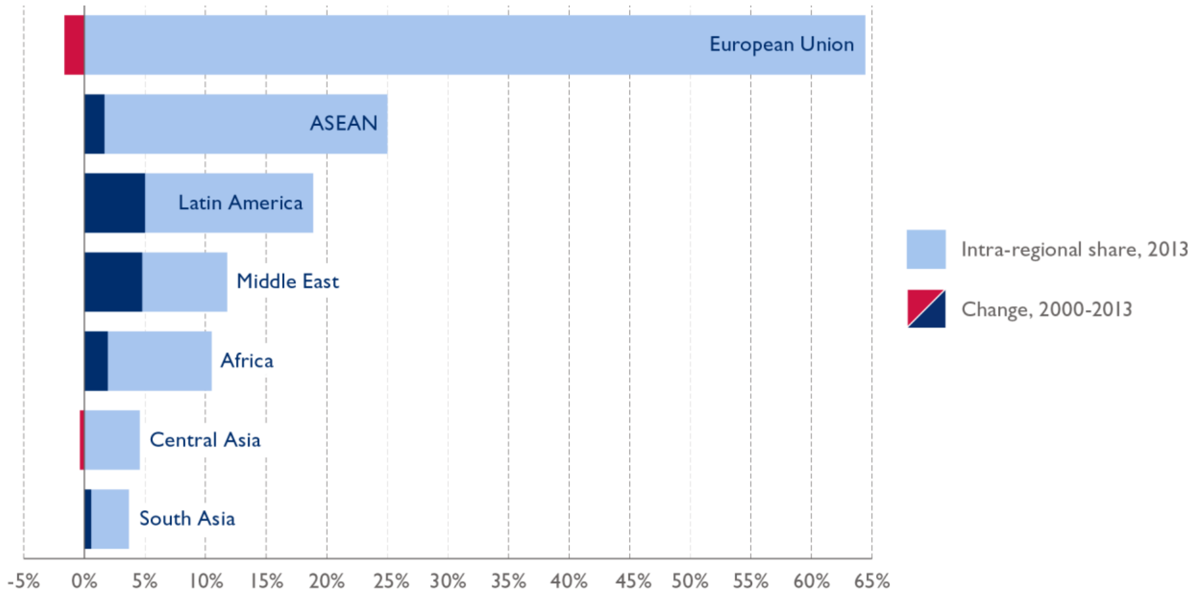
As a result of these two developments, Southeast Asia's share of South Asian trade rose steadily from 6 percent in 1990 to 10 percent in 2013, whereas South Asia's share of Southeast Asian trade doubled from about 2 percent to 4 percent (see Exhibit 3). This suggests that while inter-regional trade is low compared to trade with the rest of the world for both regions (see Exhibit 4), it has risen from being somewhat insignificant to becoming important to both regions, particularly South Asia.

EXHIBIT 3. INTRA-REGIONAL TRADE BETWEEN SOUTH ASIA AND SOUTH EAST ASIA



Source: World Integrated Trade Solution: http://wits.worldbank.org/ (accessed September 29, 2014).

EXHIBIT 4. INTRA-REGIONAL TRADE SHARES OF MAJOR REGIONS (PERCENTAGE)



Note: Trade measured by sum of imports and exports. Source: Lord, 2015. Based on data from IMF Direction of Trade database.

Empirical evidence shows that the gains from inter-regional trade between South Asia and East Asia are potentially large. Gravity model results suggest that South Asia's trade with East Asia could triple to some $450 billion annually, if remaining barriers between the two regions are dismantled (World Bank, 2010). Given the complementary economic structures and specialization possibilities, the larger market, which will result in deeper integration, will boost trade and investment. This will not only help expand South Asia's services trade, but also its domestic manufacturing base, as East Asia looks to shift out of labor-intensive sectors. This could help Bangladesh and other low-income regions in South Asia.

South Asia still remains one of least-integrated regions. Intra- and inter-regional trade between countries in South Asia is much lower than in other regions, and much smaller compared to ASEAN. South Asia's intra-regional trade share is around 5 percent (see Exhibit 4). The regional trade-weighted average obscures the magnitude of intra-regional trade among the smaller countries. Accounting for nearly 80 percent of the entire region, India's economy makes South Asia's trade share look particularly low, because larger countries tend to have lower trade to GDP. ASEAN's intra-regional trade share, for example, is seven times larger than the average share of South Asia's trade. South Asia's trade even performs poorly compared to Africa's trade, despite common heritage, language, and cultural ties.

There is tremendous potential for intra-regional trade in South Asia. A useful summary indicator of countries' compatibility in the region can be discerned from what is called the trade complementarity index (see Exhibit 5). This index can provide useful information on prospects for intra-regional trade by showing how well the structures of a country's imports and exports match. A higher index indicates considerable prospects for trade expansion.[7] The fact that South Asian countries have an index exceeding 40 — even under existing protective regimes — indicates there is tremendous scope for mutually beneficial trade. The index of complementarity between European Union members and between industrialized countries at its peak ranged from 50 to 60.

EXHIBIT 5. BILATERAL TRADE COMPLEMENTARITY INDICES OF SOUTH ASIAN EXPORTS (2013)

		IMPORTS				
		Bangladesh	India	Nepal	Pakistan	Sri Lanka
EXPORTS	Bangladesh		28.3	53	29.8	30
	India	59		64	41	64
	Nepal		43.2		50.8	47
	Pakistan	19	24	52		44
	Sri Lanka	37	39	57	40	

Source: Authors' calculations using World Bank WITS data

Moreover, there is sufficient services complementarity in South Asia that remains unexploited (see Exhibit 6). For example, India has a higher comparative advantage in five service subsectors, including electricity, trade services, transport services, recreation and other services, with the highest comparative advantage in business services. Sri Lanka has a comparative advantage in three sectors, namely construction, sea transport, and insurance, whereas Bangladesh has the highest comparative advantage in financial services. However, services trade, except in the case of India's exports to Sri Lanka, is not growing.

EXHIBIT 6. REVEALED COMPARATIVE ADVANTAGE OF SERVICES SUBSECTORS IN SOUTH ASIA

Sector	Bangladesh	India	Pakistan	Sri Lanka
Electricity	0	0.06	0	0
Gas, production, and distribution	0	0	0.01	0.03
Water	0	0.08	0.02	0.19
Construction	0.04	0.07	0.04	1.07
Trade service	0.06	1.5	0.24	0.38
Transport services	0.19	1.17	0.23	1.14
Sea service	1.47	1.26	1.45	2.55
Air services	0.11	0.31	2.95	1.77
Communication services	0.26	0.09	2.94	1.07
Financial services	0.13	0.12	0.12	0.06
Insurance	0.09	0.8	0.24	7.11
Business	0.26	1.96	0.2	0.54
Recreation	0.12	0.31	0.08	0.22
Public, Health and Education	4.67	0.8	1.05	0.26

Source: Raihan, 2008.

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[7] TC between countries k and j is defined as: TCij = 100(1 – sum(|mik – xij| / 2))
Where xij is the share of good i in global exports of country j and mik is the share of good i in all imports of country k. The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

Examining intra-regional trade prospects from a different perspective, we looked at the performance of Sri Lanka's and Bangladesh's competitive exports to the rest of the world. Exhibits 7 and 8 present the performance of 15 leading agriculture (green) and manufacturing exports (blue) from Sri Lanka and Bangladesh.[8] The size of the bubble shows the value of the product group under review, and compares national increase in world market share (horizontal axis) to the growth of international demand (vertical axis). The chart also indicates the average nominal growth of world exports over the same period, indicated by the horizontal bold reference line. The vertical bold reference line (the line of constant world market share) divides the chart in two: exports of product groups to the right of this line grew faster for the country under review than world exports and thereby increased their share in the world market. Conversely, product groups to the left of the vertical line experienced decreases in world market share.

The exhibits show that much of these countries' major exports are in the slow growth category clustered below the average world import line, while others are to the left of the diagonal line, meaning they are both losing market shares when India has the capacity to absorb exports in all segments. Although "emerging products" in the upper-left quadrant need supply side response to increase capacity, if barriers are brought down in India, including in apparel and agriculture, it would help champions to reinforce market shares and help achievers in adversity move to the right (and up). India's growing market size and purchasing power indicates that it could play the critical third axis of demand to complement Sri Lanka's and Bangladesh's largest trading partners, the United States and the European Union.

[8] Those with Revealed Comparative Advantage index >1 (explained in Chapter 2)

EXHIBIT 7. BANGLADESH'S EXPORT PROSPECTS

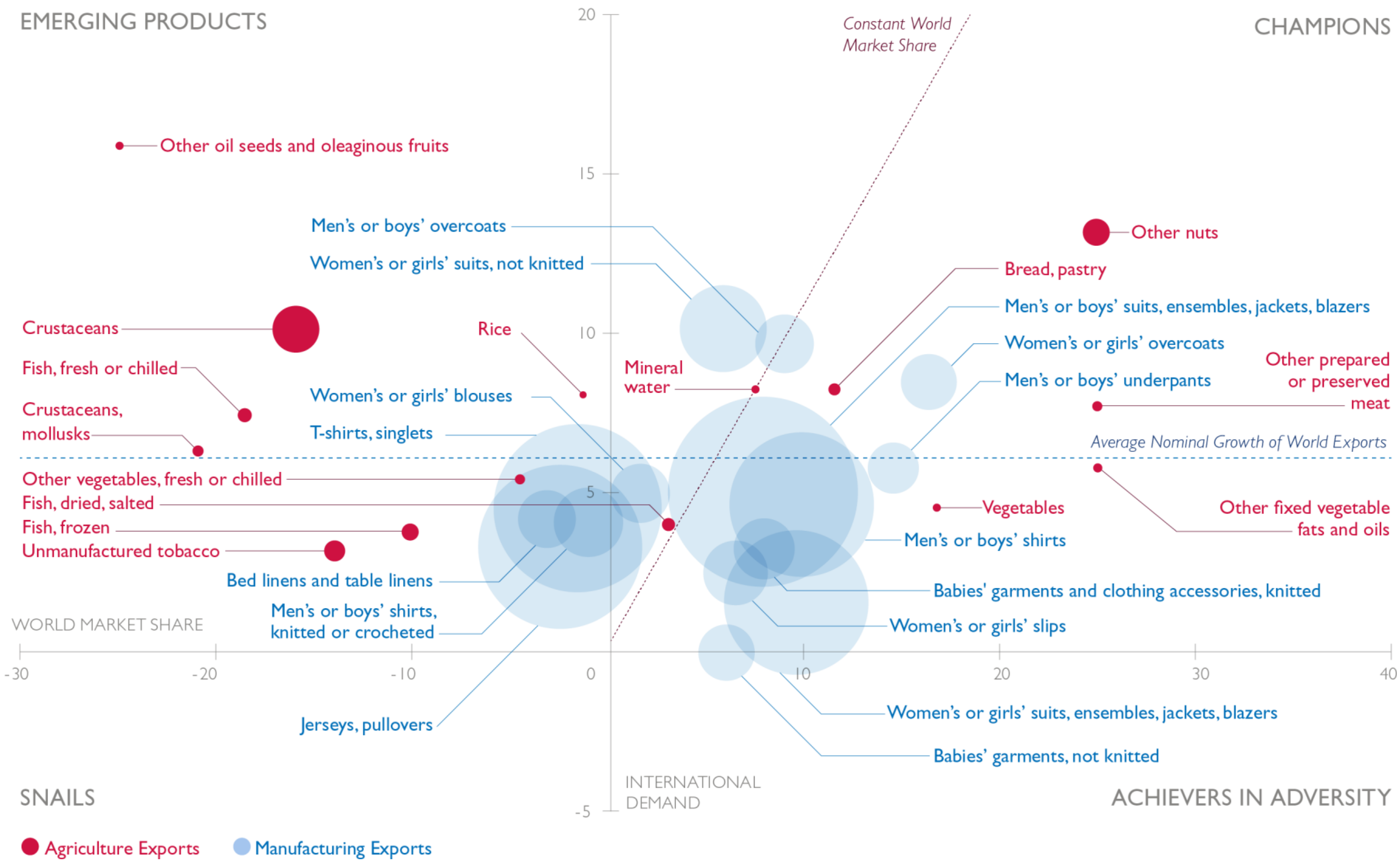
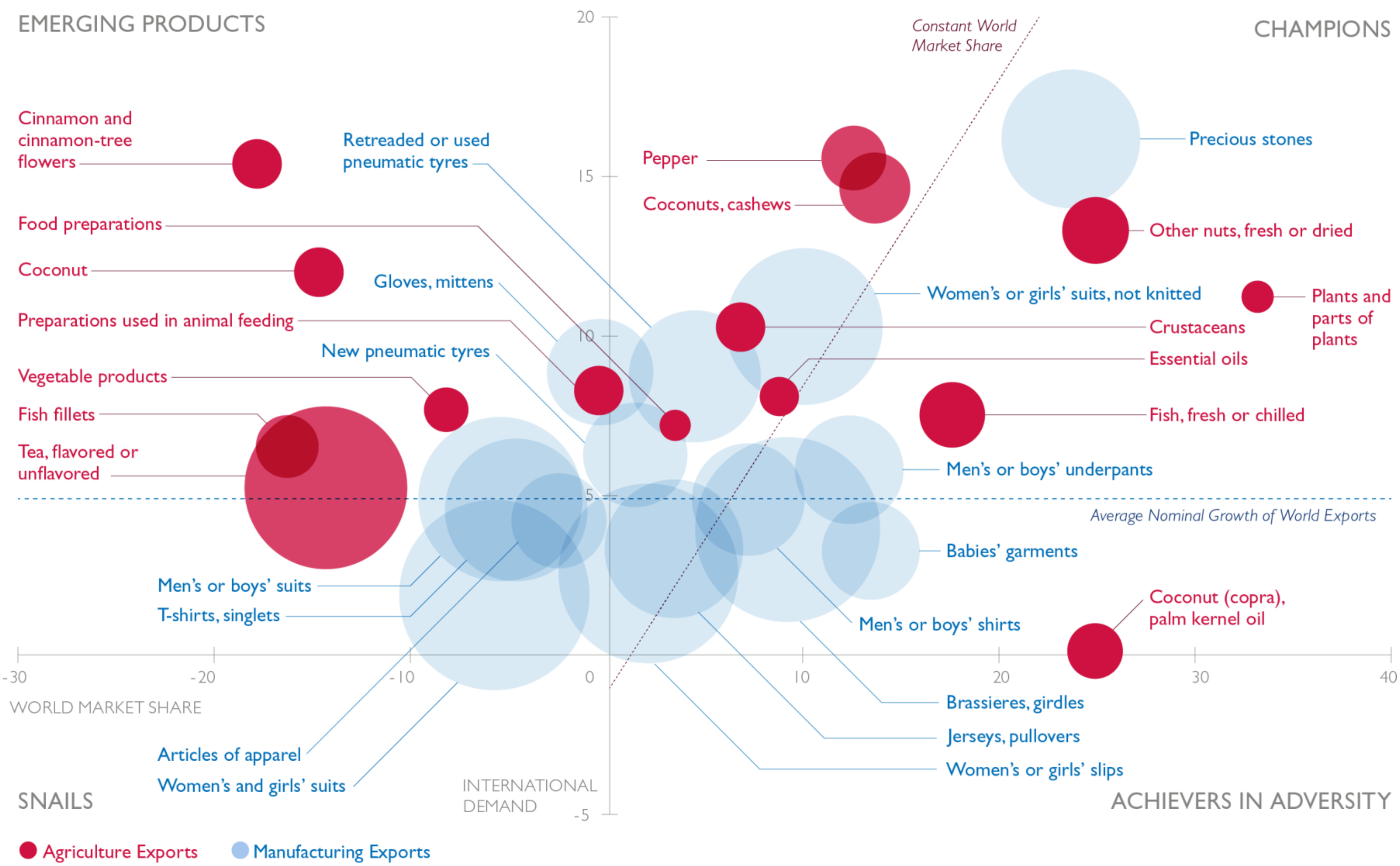


EXHIBIT 8. SRI LANKA'S EXPORT PROSPECTS



Source: Authors' calculations using World Bank World Integrated Trade Solution (WITS) data.

South Asia also has the potential to integrate into regional value chains, including small-to-medium enterprises (SMEs). With a reduction in transport and communication costs, developed countries are increasingly engaged in outsourcing and offshoring tasks and products to locations where they can be completed and made more efficiently and cheaply. Global value chains offer a new mechanism to exploit not only product capabilities in products and sectors, but also comparative advantages in "tasks," significantly expanding a country's prospects to expand regional trade and reach third-country markets.

South Asia has become synonymous with its strong links in the global apparel value chain, but unlike East Asia, South Asia has failed to insert itself into global manufacturing supply chains, processing trade supply chains, and other information and communication technologies supply chains, apart from in textiles and garments (Pitigala, 2015). One of the principal reasons for this challenge is behind-the-border constraints.

As shown in Exhibit 9 below, South Asia specializes in different stages of textiles and apparel, food processing, metal fabrication, jewelry, precious and semi-precious stones, leather, and dimension stones (marble tiles and ornaments).[9] End markets could include South Asia, Southeast Asia, and global. For example, Bangladesh and Sri Lanka are net importers of fabric, yarn, and textiles, for which India specializes and exports. Moreover, in Sri Lanka and India, design centers are emerging as a new source of competitive advantage, which Bangladesh and Nepal could link with to fulfill their needs. Partial linkages do exist among Bangladesh, India, and Sri Lanka; for example, they are linked in terms of products and services (Bangladesh's management of the garment industry is met by Sri Lankan skills).

However, these synergies (differences in comparative advantage in tasks and products) are not fully exploited due to policy and other standards-related barriers. SMEs and female owned businesses disadvantaged by the barriers are often thwarted entry into regional value chains. Sri Lanka is geo-strategically well-placed to play roles in distribution and *entrepot* trade for both South Asia and East Asia. This synergy is contingent on whether ancillary providers are allowed to operate without discrimination (i.e. on a Most- Favored Nation basis) across the two regions so that transaction costs are reduced.

South Asia's cross-border investment is also unexploited. Despite the promise of a larger regional market subsequent to signing the regional free-trade agreement, inward "tariff jumping"[10] foreign direct investment (FDI) flows are almost negligible.[11] Indian outward FDI to South Asia is quite weak even in comparison with its investment in Southeast Asia and Africa; the latest data suggests they are less than two percent of India's total FDI. A major share is directed at Sri Lanka, perhaps triggered by the credibility of its free-trade agreement and Sri Lanka's relative openness to FDI.

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[9] For ease of reference, the value chains are divided into five broad stages: (1) raw materials; (2) storing, grading, warehousing; (3) transportation; (4) processing; (5) R &D, branding, marketing, and retailing.

[10] To avoid often prohibitively high tariffs in the exporting country.

[11] Triggered purely by tariff preferences, and investment driven by the market enlargement effects.

EXHIBIT 9. VALUE CHAIN MAPPING FOR MOST PROMISING SECTORS IN SOUTH ASIA

Sector/ Country	Bangladesh	India	Nepal	Sri Lanka
Food processing	Fruit processing (2) Floriculture (1)	Fruit and nut (1, 2, 3), juices and jams (4), Floriculture (1)	Juices (4) Floriculture (1)	Fruits (1) and fruit as distribution (3) Floriculture (3)
Herbs and spices		Herbs and spices (1, 2), retailing (5)		
Metal fabrication	Iron and alloy (1)	Aluminum, led (1) fabrication, machinery and equipment (4), resources and development		Distribution (3)
Apparel	Finishing (4)	Silk, cotton, yarn (1-3), and marketing and retailing (5)	Weaving and knitting (4)	Finishing (4), marketing and retailing (5)
Pharmaceutical	Pharmaceuticals (3)	Pharmaceuticals (1-4)		
Leather		Dairy (4) and shoes (4)	Design (5)	
Dimension stone		Marble (1) and ceramic (1-4)	Silicon and slab (1, 2, 4)	Ceramic (1) and processing (4)
Precious and semi-precious stones		Cutting and polishing (4)		Raw material (1)

Source: Authors' analysis

India's FDI flows into South Asia liberalization among neighbors would expand markets and thus induce better use of resources, creating incentives for new investments (see Exhibit 10). The largest South Asian investment in the region was made by Brandix, a large Sri Lankan apparel exporter: The company invested $750 million in a 1,000-acre park in India in 2005. According to Joint Apparel Association Forum sources, the investment was triggered by India's apparel quota and other impediments to directly exporting to India.

A recent economic molding exercise, which estimates the potential (predicted) values of bilateral trade of South Asian countries and compares the results with corresponding values of actual trade (Danish, 2016), shows that intraregional potential trade measured $87 billion in comparison with the average actual trade of roughly $12 billion per year.

EXHIBIT 10. INDIA'S FDI TO SOUTH ASIA

	Total	South Asia		Host Country Composition (%)				
	US $ M	US $ M	%	Bhutan	Bangladesh	Maldives	Nepal	Sri Lanka
1996-02	6354	165	2.6	0	9.1	12.8	40.7	37.4
2002-03	1334	16	1.2	0	7.4	0	35.6	57.0
2003-04	1191	54	4.5	0	7.6	0	9.9	82.6
2004-05	2263	16	0.7	0	11.1	0	24.9	64.1
2005-06	2136	21	1.0	0	5.9	5.4	3.9	84.9
2006-07	5371	5	0.1	0.9	11.1	0.9	2.1	85.0
Total	**18, 654**	**280**	**1.5**	**1.8**	**8.4**	**7.9**	**29.5**	**51.4**

Another study describes the potential for an additional $50 billion (World Bank, 2010). Using an extended derivation, estimating the trade distance (see Exhibit 11) as opposed to the geographical distance (i.e. estimating what distance the actual trade implies based on how much trade that typical distance should be under free-trade conditions) shows that the average trade distance for South Asian countries at the aggregate level turns out to be 3,240 kilometers, much higher than the average geographical distance of 1,872 kilometers, reflecting the region's weak trade integration (Danish, 2016). The distance between India (Delhi) and Bangladesh (Dhaka) is about 1,500 meters, but based on existing trade it appears to be more than 9,400 kilometers.

EXHIBIT 11. TRADE DISTANCE

Country Pairs	Actual Distance	Trade Distance
Bangladesh-BTN	422	61
Bangladesh-Sri Lanka	2,104	4,223
Bangladesh-Nepal	725	447
India-Bangladesh	1,484	9,408
Sri Lanka-Bhutan	2,426	6,700
Nepal-Bhutan	510	13

Source: Danish et.al (2016)

Exploiting the potential for intra-regional trade and investment in the South Asia region will also require improving its trade logistics and lowering substantial barriers at and behind its borders. Although tariffs have been reduced to an average of 12 percent in South Asia, there are still major deterrents to expanded integration, including prohibitively high tariffs on agriculture, NTBs that account for even bigger protection, para-tariffs and protracted customs clearance processes, and often complicated and redundant documentation requirements.

CHAPTER THREE

NON-TARIFF BARRIERS

> **NTM AND NTB**
>
> The term NTM is used throughout this report to refer to any measure, beyond tariffs, that affects imports or exports. Such regulatory measures may be required to protect health, safety, and security. NTBs are those measures which are protectionist either by intent or effect. This may arise from the regulation itself (e.g., redundant regulations when one would serve the purpose) or from its implementation.

The starting point to discussing NTBs is an understanding of NTM orientation. NTMs are adopted by governments to safeguard social and economic objectives. Although there is no single agreed-upon definition of what constitutes an NTM, they have been broadly described as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both" (UNCTAD, 2009). Some NTMs may, however, be necessary to address market failures and safeguard human health, although their administration may be an additional barrier if, for example, requirements are not transparent, duplicative of other measures, or are overly complex to navigate. NTBs are a subcategory of NTMs. NTBs can be defined as measures that are "protectionist either by intent or effect."[12] When NTBs are imposed primarily to protect domestic industry, they violate World Trade Organization provisions that require member countries to treat imports and domestic products equally and not to advantage products from one source over another, even in indirect ways. This study focuses on establishing and verifying which measures constitute NTBs in South Asia, and which among them are the most high-impact with the possibility of being addressed through USAID assistance.

To put into perspective the degree of distortion that NTBs have on the market, recent studies have quantified the cost of NTBs in South Asia. The first is based on the General Equilibrium Framework within the CUTS study. Using 2011 baseline data, the study indicates an aggregate potential savings from removing South Asian NTBs at around $1.22 billion a year. The authors show that Nepal's potential savings are comparatively less than the other four major South Asian players ($2.8 million), because Nepal's major imports come from India. Sri Lanka is expected to gain potential savings of around $501.17 million, followed by India, with $310.05 million in savings from reforming NTBs.

Using the United Nations Economic and Social Commission for Asia and the Pacific-World Bank Trade Cost Database, the Joint United Nations Regional Commissions calculated a related concept — intra-regional trade costs excluding tariffs — which show that the average total non-tariff cost of trading goods among Bangladesh, India, Sri Lanka, and Pakistan is equivalent to a 114 percent average tariff on the transaction value of goods, i.e. more than the value of the goods themselves (see Exhibit 12). In contrast, non-tariff trade costs among middle-income

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[12] Some NTMs are used as instruments of trade policy with the intention of impacting trade directly, such as quotas, subsidies, trade defense measures, and export restrictions. Other NTMs are introduced in terms of other public policy goals, such as public health or the environment. However, irrespective of the underlying intention, NTMs can have significant restrictive impacts on international trade and lead to distortions in market outcomes.

members of the ASEAN are equivalent to a 76 percent tariff, and are only 43 percent among Germany, France, and the United Kingdom. Only North and Sub-Saharan African countries have higher trading costs than South Asia.

EXHIBIT 12. INTRA- AND EXTRA-REGIONAL TRADE COSTS (EXCLUDING TARIFF COSTS)

Region	ASEAN-4	South Asia-4	Latin America-4	North Africa-3	Sub-Saharan Africa-3	West Asia-3	European Union-3
ASEAN-4	76%						
South Asia-4	128%	114%					
Latin America-4	156%	189%	97%				
North Africa-3	189%	156%	175%	126%			
Sub-Saharan Africa-3	201%	198%	273%	183%	182%		
West Asia-3	162%	165%	218%	121%	197%	78%	
European Union-3	108%	114%	114%	99%	125%	139%	**43%**
USA	85%	109%	80%	120%	133%	123%	67%

Source: ESCAP-World Bank Trade Cost Database, updated June 2015 [online at: http://www.unescap.org/tid/artnet/trade-costs.asp] Notes: Trade costs shown are simple averages of trade costs over the period 2008-2013. They may be interpreted as tariff equivalents. ASEAN-4: Indonesia, Malaysia, Philippines, Thailand; East Asia-3: China, Japan, Republic of Korea; EU-3: Germany, France, United Kingdom; South Asia-4: Bangladesh, India, Pakistan, Sri Lanka; Latin America-4: Brazil, Chile, Mexico, Uruguay; Sub-Saharan Africa-3: Nigeria, Kenya, Ghana; North Africa-3: Morocco, Egypt, Sudan; West Asia-3: Jordan, Lebanon, Saudi Arabia.

OVERVIEW OF THE LONG LIST OF NTBs/IPEC PHASE I

An IPEC Phase I desk review identified a list of NTBs for future consideration by USAID, based on recent literature and interviews with U.S. government stakeholders. To a large extent, the list of identified NTBs relied on the recent study by the GIZ-supported SAARC Trade Promotion Network report entitled "NTMs in South Asia: An Assessment and Analysis" (2014). There are many recent studies highlighting the emergence of NTBs as a major issue in South Asian trade and investment (Rahman 2010, Raihan 2011). However, it was not until 2013 that UNCTAD, the World Bank, and the International Trade Center (ITC) launched a comprehensive effort to collect and codify NTBs in South Asia.

To complement the ITC's efforts, the World Bank, as part of a major regional trade integration study, initiated a separate effort to collect NTM data on Pakistan, Sri Lanka, Nepal, Afghanistan, and India. NTM data on Bangladesh, and part of the NTM data on India, were collected by ITC. The current study relies, as a starting point, on data from a background paper of a recent

World Bank study.[13] It presents a comprehensive list of NTM frequency in South Asia and is the preferred source for the broad list.

Exhibit 13 shows a detailed NTB list coded by UNCTAD-MAST classification, differentiated into several subgroups to allow for a finer classification of NTBs affecting trade.[14] This classification comprises technical measures, such as sanitary or environmental protection measures.

[13] Gould, D., Rama, M., and D'Souza, R. 2016. "Breaking Barriers: Breaking Barriers: Regional Integration in South Asia", World Bank, 2016

[14] In 2006, a Multi-Agency Support Team comprising FAO, IMF, OECD, UNIDO, WTO, World Bank, USAID, USITC, and ITC, jointly agreed-upon classification took place in 2007. After extensive discussions, the Support Team proposed a new classification on NTMs that is based on UNCTAD's NTMs classification of the early 1990s.

EXHIBIT 13. BROAD LIST OF NTBs IN SOUTH ASIA

Bangladesh		India		Sri Lanka		Nepal	
Code	**NTM Name**	**Code**	**NTM Name**	**Code**	**NTM Name**	**Code**	**NTM Name**
C100	**Pre-shipment inspection**	B310	**Labelling requirements**	A 134	**Additional charges n.e.s.**	F710	Consumption taxes
C120	**Customs surcharges**	F790	Internal taxes and charges levied on imports not elsewhere specified (n.e.s.)	A320	Marking requirements	G390	Regulation on official foreign exchange allocation, n.e.s.
E140	License combined with or replaced by special import authorization	F720	Excise taxes	A830	**Certification requirement**	B140	**Authorization requirement for TBT reasons**
A830	**Certification requirement**	F710	Consumption taxes	A220	**Restricted use of certain substances in foods and feeds and their contact materials**	P110	Export prohibition
A210	**Tolerance limits for residues of or contamination by certain substances**	B830	**Certification requirement**	B140	**Authorization requirement for TBT reasons**	F610	Customs inspection, processing, and servicing fees
A220	Restricted use of certain substances in foods and feeds	B220	**Restricted use of certain substances**	P130	Licensing or permit requirements to export	P900	Export measures n.e.s.
P700	Export subsidies	F900	Prince control measures n.e.s	F710	Consumption taxes	B800	**Conformity assessment related to TBT**
B700	Product quality or performance requirement	A220	Restricted use of certain substances in foods and feeds and their contact materials	P110	Export prohibition	F700	Internal taxes and charges levied on imports
P690	Export technical measures, n.e.s.	A210	Tolerance limits for residues of or contamination by certain (non-microbiological) substances	C900	Other formalities, n.e.s.	F650	**Import license fee**
A330	**Packaging requirements**	B700	Product quality or performance requirement	B110	Prohibition for TBT reasons	G400	Regulations concerning terms of payment for imports
A800	Conformity assessment related to SPS	B840	Inspection requirement	F790	Internal taxes and charges levied on imports n.e.s.	F640	Stamp tax
E181	License for religious, moral or cultural reasons	B150	Registration requirement for importers for TBT reasons	F400	**Customs surcharges**	P400	Measures on re-export
A820	Testing requirement	B853	Distribution and location of products after delivery	B700	Product quality or performance requirement	E300	Prohibitions other than for SPS and TBT reasons
B110	Prohibition for TBT reasons	A140	Special authorization requirement for SPS reasons	B310	Labelling requirements	A140	Special authorization requirement for SPS reasons

Bangladesh		India		Sri Lanka		Nepal	
Code	**NTM Name**	**Code**	**NTM Name**	**Code**	**NTM Name**	**Code**	**NTM Name**
B150	Registration requirement for importers for TBT reasons	B820	Testing requirement	B830	Certification requirement	A310	Labelling requirements
E381	Prohibition for religious, moral, or cultural reasons	I100	Local content measures	B220	Restricted use of certain substances	B110	**Prohibition for TBT reasons**
B310	Labelling requirements	A330	Packaging requirements	P620	Certification required by the exporting country	A640	Storage and transport conditions
E389	Prohibition for non-economic reasons, n.e.s.	E100	Non-automatic import licensing procedures other than authorizations for SPS or TBT reasons	A190	Prohibitions/restrictions of imports for SPS reasons, n.e.s.	B600	Product identity requirement
A310	Labelling requirements	A830	Certification requirement	A310	Labelling requirements	A220	Restricted use of certain substances in foods and feeds and their contact materials
	Information fragmentation for importing/exporting	B140	Authorization requirement for TBT reasons	B600	Product identity requirement	B830	**Certification requirement**
			Port restrictions	B900	TBT measures, n.e.s.		
			Import Restrictions	A890	Conformity assessment related to SPS, n.e.s.		
			Anti-dumping		Information fragmentation for importing/exporting		
			Business visa				
			Ban on GMO products				

Notes: The IPEC I NTBs items identified are in bold. N.E.S. means "not elsewhere specified." Source: World Bank (2013)

As shown by the bolded NTBs, the IPEC I desk review identified some of the key NTBs that affect member countries. The field assessment under IPEC II allowed the team to capture more nuanced impediments that the literature tends to ignore, which constitute significant impediments to trade. There are a number of policy and procedural measures from price control measures to export subsidies and consumption taxes. Moreover, there were additional NTBs that were discovered during the IPEC II field assessment, such as anti-dumping (adjudication process), business visa delays, and trade information weaknesses.

SHORTLIST OF NTBS FOR USAID/IPEC ASSISTANCE

There is no standard prescription for identifying a short list of NTBs in terms of trade and other beneficial impact that their removal or reduction is likely to generate. The quantification of trade costs owing to NTBs is often difficult, and only crude methods have been developed and used for calculating ad valorem equivalents. This is partly due to the diversity and complexity of NTBs spanning regulatory and procedural measures and the ambiguity of what an NTB is versus a legitimate measure. The most comprehensive recent effort in prioritizing NTBs is undertaken under the aegis of SAARC TPN. Its criteria entailed evaluating a combination of import and export thresholds, the degree of intra-SAARC trade, NTB rationale, and other criteria, such as the motive for an NTB and whether the product was on a "sensitive" list within the SAARC trade agreements.

The current report is more objective and specific to identify those NTBs that are most restrictive with respect to trade and those in which, with USAID support, measurable progress can be achieved. We have, therefore, identified a number of criteria to evaluate the long list, with much of the qualitative data collected during the course of the field mission. The criteria include:

- *Frequency of occurrence*: One common method for initial analysis of the impact of NTBs is to measure the proportion of products covered by one or more NTBs (the "frequency ratio").
- *Relevancy to/impact on the economy:* The relative importance of the identified NTB in terms of exports and other key variables of the selected economy, such as current and recent exports, employment, and impact on poverty and gender.
- *Presence of private sector support/champions to advocate*: The presence of industry champions and thought leaders that can carry out or support the reform and advocacy efforts.
- *Government buy-in*: The extent of government willingness to address the specific NTB.
- *Other donor assistance:* The extent to which assistance can complement or leverage other donor resources.

Exhibit 14 shows the priority NTB list[15] that emerged from the screening process, narrowing down the actionable list of NTBs that USAID can support via technical assistance and/or capacity building efforts through IPEC. The assigned degree of importance is marked as high, moderate, or low based on stakeholders' perceptions and recent literature.

EXHIBIT 14. PRIORITY NTBs

NTB	Frequency	Relevancy	Private Sector	Government Buy-in	Impact	Other Donor(s)
1. SPS/TBT testing, certification requirement	High	High	High	Moderate	High	Moderate
2. SPS/TBT conformity assessment	High	High	Moderate	Moderate	High	High
3. Para-tariffs	High	High	NA	High (Sri Lanka)	High	High (Sri Lanka)
4. Domestic trade information	NA	High	Moderate	Moderate	High	High
5. Other policy measures	Moderate	Moderate	High	Moderate	NA	NA
6. Port restrictions	High	High	High	Moderate	High	Moderate

Note: NA = not available

Frequency. Based on the literature review, stakeholder interviews, and World Bank data on NTB frequency, many NTBs in South Asian countries target agriculture products in the form of SPS and TBT measures. The most prevalent SPS- and TBT-related NTBs, in terms of frequency, are product quality or performance requirements, testing requirements, labelling requirements, packaging requirements, conformity assessment, and certification requirements.

The second most frequent category of NTBs are within the purview of para-tariffs, such as surcharges, excise taxes, and additional charges assessed in addition to tariffs at the border, which directly add to the costs of trade. In addition, there are a range of other policy measures from export subsidies, import licensing requirements, and quota restrictions. Stakeholder interviews and the literature also point to weaknesses in trade logistics, customs, and other border-related agencies that increase the transaction costs for traders. In most cases, trade facilitation and NTM cases are interrelated. We treat trade facilitation-related issues separately for the purpose of operationalizing proposed interventions. Finally, interviews revealed a lack of coherent trade information on regulations governing imports and exports (for example, pre-registration and licensing requirements for imports).

Relevancy/impact. Agriculture plays an important role in providing livelihoods and food security in South Asia. Agriculture contributes to about 26 percent of the regional GDP (ranging from

[15] A more comprehensive list of NTBs, in terms of frequency is provided in Annex A

12 percent in Sri Lanka to 36 percent in Nepal), but remains the largest employer in South Asian countries: 30 percent in Sri Lanka, 47 percent in Bangladesh, and 74 percent in Nepal (National Statistical Appendix of Central Banks). Although agricultural exports as a share of total exports remain low, they have deep links to poverty and rural livelihoods, especially among rural communities along the long borders between India and its smaller neighbors. Agriculture is extrememly important for providing livelihoods and food security, as well as women's engagement in the economy of all South Asian countries. Therefore, NTBs that affect the agriculture sector and downstream food processing — such as SPS/TBTs and para-tariffs — can have a major impact on trade, production, and livelihoods across the region if removed. Moreover, the agriculture sector in South Asia is dominated (around 65 percent) by female labor. Experience suggests that they are more vulnerable to non-tariff barriers such as standards. Any reduction in standard related barriers could significantly improve their livelihoods.

Agriculture is extremely important for providing livelihoods and food security, as well as women's engagement in the economy of all South Asian countries.

Our interviews also confirmed the results of a survey-based country case study on India by UNCTAD (2010), which identified key export products like textiles, leather, electrical, and chemical sectors as the most affected by TBT technical regulations and standards. These are all principle exports for regional members, such as India, Bangladesh, and Sri Lanka.

Private sector support/champions. Private sector support will be critical to addressing NTBs across the region, as only the private sector can effectively identify and advocate for the removal of NTBs. We held in-depth discussions with leading private sector associations and chambers across the region to identify those with the interest and capacity that, with support, could have a measurable effect on policymakers in their respective countries (see Exhibit 15).

EXHIBIT 15. PRIVATE SECTOR ORGANIZATIONS ACTIVE AND WILLING TO CHAMPION ADDRESSING NTBs

Country	Organization Name	Illustrative Areas of Dialogue/ Advocacy
Bangladesh	MCCI, DCCI and BUILD, PRAN, SANEM, PRI and CPD	NTBs, other regulatory issues
India	CII, ICRIER, CUTS, RIS, FICCI	NTBs, Trade Facilitation
Nepal	SAWTEE, Nepal Business Forum	NTBs
Sri Lanka	ATN, IPS, Verite, JAAF, AMCHAM	NTBs, Customs, Trade Facilitation

Source: Author.

Government buy-in. SPS/TBT issues that exporters face in the Indian market were the main concern expressed by officials in Bangladesh, Nepal, and Sri Lanka, but there was also an acknowledgement regarding broader trade facilitation issues, including customs reforms and modernization, which require urgent attention.

Other donor participation. There is higher donor engagement on trade facilitation issues by the ADB, DfID, and the World Bank. Donor agencies, such as the ADB and the World Bank, have concentrated their assistance on enhancing trade through the land borders, generally with the goal of promoting intra-regional trade, with only the occasional port-facilitation initiative. Most recently, DfID set aside £21.21 million in grant assistance to reduce the time and cost of trading goods across four key border posts in South Asia, including the Benapole/Petropole border. There are numerous other accounts of ADB and World Bank assistance in supporting trade and transit facilitation, including the recent Bangladesh-Bhutan-Nepal-India Motor Vehicle Agreement known as BBNI MVA.

GIZ's efforts in setting up NTB desks to monitor NTBs is a major initiative that highlights the importance of NTBs. The World Bank has also initiated a new effort to undertake a deeper assessment of key products of interest to Bangladesh-India and Nepal-India, to be completed in October 2016. They have also shown interest in a potential public-private dialogue framework through the International Finance Corporation to address key NTBs.

NTBs 1 AND 2: SPS AND TBT

Recent surveys of NTBs in South Asian countries show that SPS and TBT measures are the most prevalent TBTs in the region. Each country in the region has its own set of technical regulations and standards and a range of conformity assessment procedures applied to ensure compliance. Until very recently, there has been no harmonization of standards and conformity assessment procedures, and there is still no mutual recognition of accreditation and certification arrangements. The result is that products are often tested twice, once in the country of export and again upon entry into the country of import.

Trade restriction arises through some of the technical regulations and the conformity assessment procedures applied to certify compliance of the product being traded with the regulation. The intent of the World Trade Organization's SPS and TBT agreements is to ensure that technical regulations and conformity assessment procedures have a scientific basis and do not distort trade. All countries in the region arguably apply SPS/TBT measures as an NTB; however, India attracts the most attention due to its large dominant import market. Governments in the region have questioned the government of India over specific SPS/TBT requirements, including:

- A mandatory and annually renewable Bureau of Indian Standards (BIS) certification is required for the importation or domestic manufacture of 68 products. A fee is charged based on production volume. Foreign manufacturers are required to open a local office and pay a bank guarantee to BIS. BIS has also introduced a new registration scheme for 30 electronic products.
- 100 percent laboratory testing of 14 food products at the port of entry.
- Remaining shelf life must be no less than 60 percent of the original shelf life, regardless of the product and how the shelf life is calculated.
- All pre-packaged goods must be labeled with, inter alia, a maximum recommended price.

- Jute sacks must have a label showing the country of manufacture sewn into the sack.
- A 45-day risk analysis is conducted in addition to the seven-day permit processing to issue every Sanitary Import Permit for the import of any animal product.
- Fruit and vegetables are fumigated at the port of entry with methyl bromide — a substance banned in many countries. In some cases, import licenses are only granted if both fumigation and a further treatment are applied – further increasing the cost of imported food.

In addition, Bangladesh continues to ban the import of poultry from India even after it eradicated Avian Influenza. The Bangladesh Standards and Testing Institution (BSTI) requires mandatory certification of 55 products; food products imported from outside SAARC and ASEAN are subject to radioactivity testing, and all potato imports require a phyto-sanitary certificate. In Sri Lanka, the Department of Import and Export Control maintains a system of licensing products for both import and export.

Procedures for assessing the conformity of imports and exports with the requirements of technical regulations are the greatest barrier to trade in South Asia. India rarely accepts certificates issued by an accredited conformity assessment body located in another SAARC member country.[16] Indian testing facilities are often located some distance from ports of entry; for example, samples of imported food consignments arriving at Petrapole are tested in Kolkata, which is a three-hour drive away. Those arriving in Chennai's port have been tested at a laboratory 30 miles away; however, a laboratory is now being planned for Chennai. Test results take a minimum of three days to obtain, even for perishables, and are often measured in weeks. Demurrage costs were estimated by one trader at seven to eight percent of the value of the goods. Certification for imports into North East India take longer due to the lack of quality infrastructure in the area; for example, couriering samples from the Bangladesh border with Assam to the nearest lab takes four days in each direction.

Despite Sri Lanka's Accreditation Board being internationally accredited and bilateral agreements between the Sri Lanka Standards Institution, the Indian Export Council, and the Bureau of Indian Standards, India does not recognize any testing or inspection certificates issued by Sri Lankan conformity assessment bodies. Nepal and Bangladesh have fewer resources to enforce their national quality infrastructures. Bangladesh had no animal quarantine facilities until 2013, and is still suffering from low public credibility in food safety due to ongoing food adulteration.[17] The World Trade Organization notes Nepal's

INSTITUTE FOR POLICY RESEARCH SURVEY OF NTBs

A survey of NTBs experienced by 121 Colombo-based traders, brokers, and agents trading with South Asia by the Institute for Policy Research found that 60 percent of respondents reported challenges with the efficiency of quality/standard inspection agencies.

[16] Indian Customs officials at Petrapole noted that certificates accompanying Hilsa fish imports from Bangladesh are now accepted without the need to further test the fish in India. Also, PRI notes that BIS will accept BSTI tests of tolerance limits for residues and restricted use of substances (A2) for imported biscuits.

[17] See for example, http://www.lawjournalbd.com/2015/06/food-adulteration-the-bangladesh-paradox-3/ or J Health Popul Nutr. 2014 Sep; 32(3): 452–464. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4221451/

"…weak standardization and conformity assessment infrastructure. Nepal lacks an accreditation system and sufficient testing facilities."[18]

Impact and relevance. The 2015 ITC survey of NTMs in Bangladesh is the most comprehensive national survey conducted to date in the region (998 exporters and importers were surveyed). Results show that 66 percent of the 363 NTMs identified by agricultural exporters were related to conformity assessment, rather than taxes and fees and rules of origin. The same figure for manufacturing exporters was 56 percent of 1,094 NTMs. Altogether, 81 percent of total exporter NTMs were procedural rather than regulatory. For agricultural exporters, this meant delays and a high cost of obtaining conformity assessment certificates.

Weak domestic infrastructure restricts total exports, while NTBs applied by importing countries restrict trade to those countries. SPS NTBs particularly affect agricultural exports, which could play a larger economic role in rural communities in South Asia. Chapter 4 of this report highlights the restrained growth of Bangladesh and Sri Lankan agriculture and food exports to India compared to their exports to the rest of the world since 2001. Exports to India only increased from Bangladesh and Nepal after India removed all quotas and tariffs from imports from least-developed countries in 2011.

Government buy-in. Bangladesh, Nepal, and Sri Lanka are the most active advocates for removal of SPS and TBT barriers to trade within South Asia. India holds joint economic commissions with each member of SAARC where SPS/TBT NTBs are raised each year. It has relaxed a number of regulatory and procedural requirements and provided $2.2 million to strengthen BSTI. After the establishment of the South Asia Regional Standards Organization Agreement entered force in 2011, the director general was appointed to SARSO in April 2014. Member countries have agreed to harmonize the standards for 29 commonly traded goods of which eight have been harmonized to date and are now being enforced by each national standards body. Further discussion of SARSO appears later in this report.

Private sector champions. Local think tanks, such as CUTS, PRI, CPD, and IPS, have each surveyed and reported on SPS/TBT NTBs, with support from local chambers and donors. The Business Initiative Leading Development of Bangladesh (BUILD) is a public-private dialogue vehicle created by the Dhaka, Metropolitan, and Chittagong chambers of commerce. BUILD worked with the ITC to execute the NTB survey in Bangladesh and is currently reviewing trade remedies in South Asia. In addition, a chamber in each country hosts the SAARC Trade Policy Network NTB desk officer, whose mandate includes advocating the removal of NTBs.

Other donor engagements. A number of donors support upgrading quality infrastructure in the region. The Swedish and German national standards bodies have been working with standards bodies in the region for many years. According to CPD, BSTI had $10.2 million in capacity building project funding in 2013, including from India. DfID funded the ITC NTB survey in Bangladesh. ADB supported SASEC who's key priority include policy, regulatory, and institutional reforms in standards and conformity assessment in South Asia, establishing a

[18] Secretariat's Report, Trade Policy Review of Nepal, 2012, WT/TPR/S/257/Rev.1, page 48

regional SPS working group under the SASEC Trade and Transport Committee by the end of 2016. ADB officials have met with representatives from all six countries, and are now determining terms of reference and a road map for supporting SPS administration.

NTB 3: PARA-TARIFFS – IMPORTS AND EXPORTS

Under World Trade Organization agreement, tariffs or customs duties are maintained under a robust monitoring and review mechanism, but a number of countries in South Asia have circumvented World Trade Organization disciplines on customs tariff or duty by imposing other import taxes without altering their Most Favored Nation schedules (customs duty rates). These import taxes come in many forms, including levies, surcharges, and fees imposed on imported goods. Imposed only on imports, in the absence of a domestic equivalent, these taxes have principally served to protect domestic industries. Not only are there para-tariffs on imports, a para-tariff on exports in the form of "cess" tax was a major concern for exporters in Sri Lanka. It was mentioned that Sri Lanka was the only country in SAARC that imposed para-tariffs on exports.

Evidence from South Asia demonstrates both the diversity and impact of these para-tariffs on overall protection levels. In Bangladesh, these para-tariffs, in the form of supplementary and regulatory duties, average (unweighted) 14.1 percent (Sattar, 2012), on top of the average customs duty of 13.2 percent. Similarly, traders importing to India, unless exempt, must pay para-tariffs that raise the un-weighted average import tax from 13 percent to 28.3 percent.[19] In Sri Lanka, these additional duties, such as ports and airports development levy, customs surcharge, and regional infrastructure development levy, have raised the unweighted average from 10 percent (customs duty) to around 27 percent (with para-tariffs) (Pitigala, 2015). Regional or bilateral trade agreements, such as SAFTA or Indo-Lanka FTA, have had little to no impact on the level of protection, because they exclude many protected industries through sensitive lists. Moreover, the imposition of these para-tariffs and exemptions are often complex, constantly changing, and unpredictable, making it harder for traders to comprehend the protective magnitudes.

Not only are there para-tariffs at the border, but our interviews indicated a high incidence of domestic taxes imposed by states in India after the consignment is cleared at the port of entry. Although states under federal jurisdiction are vested with powers to impose state taxes, it is difficult to verify if any additional layer of discriminatory taxes and levies are applied to foreign goods, especially imports from South Asian countries.

Frequency and relevance. The para-tariffs are applied across a range of products and all trading partners; therefore, they are assigned as "high" in terms of frequency and relevance. With para-tariffs, not only do South Asian countries import less than they would with just existing tariffs, they also act as a strong anti-export bias through higher-effective protection that skews incentives toward domestic industries rather than exports. Para-tariffs are particularly punitive toward poorer and small traders whose livelihoods are tied to agriculture. As most South Asian

[19] https://www.wto.org/english/tratop_e/tpr_e/tp413_e.htm

countries have continued to maintain relatively higher duties on agriculture products as compared to manufacturing, the presence of the additional duties has made exporting to neighboring countries nearly prohibitive. In Sri Lanka, additional taxes were introduced and justified as financing the then civil war. Since the civil war's end in 2009, the previous regime retained the taxes as an important source of revenue from imports, which reduces the need for revenue from unpopular domestic indirect or direct taxes.[20]

Private sector buy-in and potential champions. So far, all efforts to highlight the incidence of para-tariffs and their adverse impact have emerged from think tanks, such as the Australia South Asia Research Centre and Policy Research Institute in Bangladesh. The main audience has been research circles, and the information has not been sufficiently filtered down to wider stakeholder discussion. However, there is some recognition of the need to address para-tariffs in Sri Lanka. The likely champion is the newly formed Economic Development Commission, where the IPS director serves as the chair. Similarly, in Bangladesh, the Policy Research Institute and the South Asia Network on Economic Modeling (SANEM) are key reform advocates. Stakeholder discussions with the private sector also indicated a heightened interest in addressing para-tariffs in India and Sri Lanka.

Potential and current donor engagements. The government of Sri Lanka has requested the World Bank to finance an analysis of para-tariffs and to make recommendations for their revision. However, there is no such attempt in either Bangladesh or India.

NTB 4: TRADE INFORMATION

Our stakeholder interviews indicated that one of the critical weaknesses to exporting and importing is the lack of a coherent central information repository of laws and regulatory and procedural requirements for importing and exporting. Trade-related information, however, is available across a number of websites maintained by government agencies responsible for trade regulation. In many South Asian countries, such agency-specific websites may not exist, and if they do, are often incomplete, out of date, or lack the entire spectrum of information that a trader might wish to obtain to ensure compliance with import, export, or transit requirements. In Sri Lanka and Bangladesh, import and export regulations span several agencies, such as revenue authority, tax authorities, and export development boards, as well as those under the purview of product- or sector-specific agencies. For example, tea exporters from Sri Lanka need to comply with blending guidelines written in the Teas Development Board's ordinance, but these guidelines are not reflected in the Export Development Board's ordinance.

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[20] By taking into account protection on both outputs and inputs, ERPs provide a more accurate representation of incentives protection of "value added."

Furthermore, the Industrial Promotion Act of Sri Lanka stipulates an array of industries that are subject to controls, which are not included on the Ministry of Commerce's website or the Customs Department's website. Similarly, in Bangladesh, although import licensing was abolished, the country maintains bans and restricts certain imports that take the form of non-automatic import licenses and authorizations, which are reported in import/export policy released by the government every few years, but are not updated in the Customs, Ministry of Commerce, or Export Development websites.

RELIABLE INFORMATION NEEDED

In the absence of a single, authoritative reference point, one agency's interpretation of certain requirements may conflict with another agency's interpretation, causing unnecessary effort and cost in attempting to meet various government requirements. In addition, the business community expressed concerns with fluctuating standards and procedural steps, particularly in India.

A number of countries have introduced or are considering introduction of a trade information portal to facilitate trade with increased transparency. India has a trade portal, and Bangladesh is currently launching its trade portal with support from the International Finance Corporation. Meanwhile, Nepal and Sri Lanka have expressed interest in introducing a trade portal. Such portals will help countries comply with Article 1 of the World Trade Organization's trade facilitation agreement.

Frequency and relevancy. The quality and availability of trade regulations and other related information affects all traders, although they are more likely to affect SMEs than established large-scale traders because SMEs have fewer resources to expend on search and execution costs. Measuring the effectiveness of trade facilitation through an information portal in terms of the direct and indirect savings to trade in transaction costs is an extremely complex endeavor, which involves considering many factors other than the regulatory environment (e.g., the supply chain environment and use of e-business). One available example is an innovative online service provider in Dubai, which recorded more than 6 million online transactions on its trade portal and a 50-percent increase in user activity as compared to 2007. This rise in transactions is indicative of the fact that the trading community is now more aware of the benefits of direct online dealings with entities like ports, free zones, and customs. The comprehensive coverage of electronic payment services has made a considerable positive impact on trade in terms of saving time and energy and cutting costs.

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Private sector and government buy-in. There is broad recognition among most public sector agencies in Bangladesh and Sri Lanka of the need for a central information repository. This need partly emerged from the information deficits and lags that traders encountered in exporting to regional export markets, especially India. In Bangladesh, the Ministry of Commerce has demonstrated its commitment to developing a trade portal with the patronage of the prime minister's office, which included all other key government agencies and sub-government institutions. In Sri Lanka, the Board of Investment reiterated its interest in setting up a portal similar to the Lao trade portal. The private sector's interest in an information platform was well articulated by think tanks like Verite in Sri Lanka and SANEM in Bangladesh.

Other donor engagements. In Nepal, trade portal efforts are taking place as part of the National Single Window initiative. Sponsored by the World Bank, an independent consultancy company within the KGH Border Services, together with one of our partners, was awarded the contract to design and develop a trade portal and national single window for Nepal. It appears the project is now in the final stages of the portal's design and development phase. In Sri Lanka, it is unclear what initiative, if any, has been taken to develop the portal by any donor agency.

NTB 5: PORT RESTRICTIONS

In South Asia, many preferential and bilateral agreements have clauses limiting the permitted ports of entry for preferential treatment. For example, under the India-Sri Lanka FTA, Sri Lanka's tea exporters, in addition to being subject to quotas, have been permitted to export tea through only two ports — Kochin and Kolkata — which are both based in tea-growing areas in India with strong anti-import lobbies. Port restrictions were also imposed for garments, with only four permitted ports of entry. Although it has been reported that these restrictions were relaxed in 2007, we interviewed traders who indicated their continued presence. Bangladeshi exporters also frequently face port entry requirement-related restrictions when entering India; these restrictions are often applied on an arbitrary basis.

There are also accounts that Indian authorities apply obsolete regulations at the port. For example, the Indian Authority at the Agartala Land Customs Station declined to allow shipment of toilet soaps through Agartala Land Port, citing provisions under the Drugs and Cosmetic Act (1940) and Drugs and Cosmetic Rules (1945). It maintained that Agartala Land Port was not an entry point from Bangladesh for import of toilet soap, defined as a cosmetic item under Indian law. Later, it was found that an updated Indian regulation (revised in 2007) included Agartala as one of the designated land ports through which import of toilet soaps from Bangladesh was allowed (Selim, 2015).

In a more recent development, the Indian rubber-using industry has taken strong exception to the Indian government's step to restrict natural rubber imports into the country through Nhava Sheva and Chennai ports, following demand from the domestic rubber growers lobby to curb rising imports from Sri Lanka and Malaysia (Indian Times, 2016). Although Chennai Port is the main port near Sri Lankan exporters, and one of the automotive hubs in India, this action limits opportunities of the rubber-using indutry to become cost efficient to compete with global and regional markets, when its competitors use global sourcing.

Bangladesh also imposes port entry restrictions on certain products from India on the basis of various inspection requirements. For example, certain categories of yarn imported under the Bonded Warehouse System must pass through Chittagong Sea Port only, putting Indian yarn exporters from adjacent states (Tripura and West Bengal, for instance) at a severe disadvantage. India has requested that Bangladesh remove the port restriction on the export of vulcanized rubber thread via Akhaura LCS, which is affecting trade opportunities, along with land port restrictions imposed by Bangladesh, particularly on yarn, milk powder, fish, sugar, and potatoes. Such Indian exports are allowed by sea route, but not through all land customs posts. Meanwhile, being from a landlocked country, Bhutanese exporters have to use specific ports of entry per relevant trade protocols between India, Bangladesh, Nepal, and Bhutan. The rationale offered by India, in particular, is that SPS-related inspection and testing requirements are a major reason for such port entry-related restrictions, and some ports are ill-equipped to verify the preferential entry verifications. Yet, India's other FTA partners and the rest of the world enter India through all ports without restrictions, calling into question this rationale.

Relevancy/impact. The port restrictions affect some of the most prolific exports from Sri Lanka, such as tea and apparel; Bangladeshi apparel (see Exhibit 16) and manufactured products like soap and batteries; and Indian yarn. These are products in which the countries have a global comparative advantage. The restrictions also inhibit the orderly functioning of regional value chains, such as in textiles and apparel.

EXHIBIT 16. REVEALED COMPARATIVE ADVANTAGE[21] OF PRODUCTS SUBJECT TO PORT RESTRICTIONS

Sri Lanka RCA (2013)		Bangladesh (2013)	
Tea	272.9	Textiles and apparel	
Rubber and rubber Articles	9.0	Cotton fabrics	1.2
Textiles and apparel		Vegetable textiles fibers	105.6
Vegetable textiles fibers	47.8	Yarn of man-made staple fibers	2.6
Man-made staple fibers	1.3	Knitted/crocheted apparel	40.4
Wadding	1.4	Woven apparel	39.2
Special woven fabrics	5.7	Other made-up textiles	12.0
Knitted/crocheted fabrics	2.2		
Knitted/crocheted apparel	24.8		
Woven apparel	19.8		

Government buy-in and private sector champions. There is overwhelming consensus among private sector stakeholders in Bangladesh and Sri Lanka that port restrictions have hindered their ability to exploit trade opportunities in India, and they have called for dismantling the restrictions. The negative affect of Indian port restrictions has also been raised through various inter-ministerial sub-committees and inter-governmental meetings (joint secretaries and the SAFTA Forum) between India and its two neighbors. In addition, Sri Lanka has included the issue of port restrictions under the ongoing Economic and Technology Cooperation Agreement (ETCA)[22] with India. The new international trade negotiating body set up by Sri Lanka under the

[21] Measures of revealed comparative advantage (RCA) have been used to help assess a country's export potential. The RCA indicates whether a country is in the process of extending the products in which it has a trade potential, as opposed to situations in which the number of products that can be competitively exported is static. RCA index is RCAij = (xij/Xit) / (xwj/Xwt). Where xij and xwj are the values of country i's exports of product j and world exports of product j and where Xit and Xwt refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product

[22] ECTA is new bilateral trade and technology cooperation agreement mooted between India and Sri Lanka.

IPS director is spearheading discussions on port restrictions with India. All chambers, including Sri Lanka's Joint Apparel Foundation and the Tea Exporters Association, have made a concerted effort to sustain their advocacy efforts. In Bangladesh, in addition to MCCI and ICC, which continue to advocate for this issue, CPD and PRI continually focus their research on restrictions.

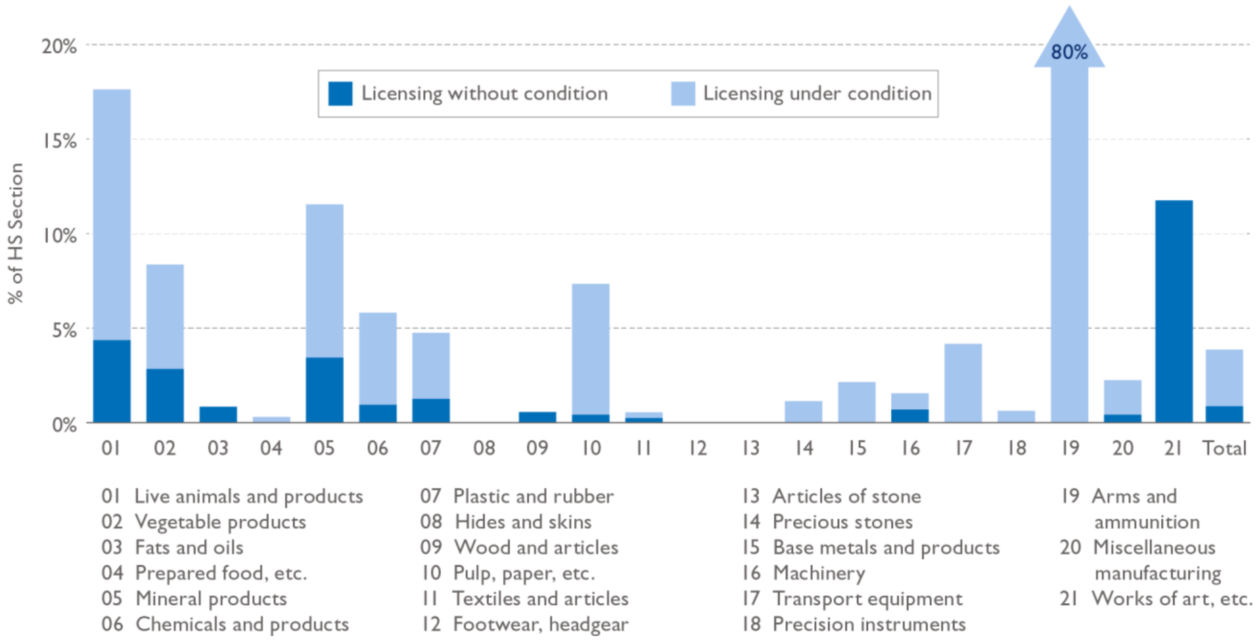
Other donor engagements. Donor engagement in resolving port restrictions has come primarily from studies on regional integration in South Asia as part of technical assistance (e.g., De et.al. 2012, and GIZ-funded SAARC TPN 2012). There are no active donor programs that directly support advocacy.

NTBs 6-10: OTHER POLICY-ORIENTED NTB MEASURES

Apart from the above NTBs, South Asian countries have adopted import licensing, countervailing duties, anti-dumping duties, and export prohibition to limit imports and exports. Exporters in Sri Lanka and Bangladesh claim that Indian authorities deliberately delay the issuing of import licenses to traders, and thus export consignments are stranded in ports across India for two to three months, rendering losses for importers and exporters. These delays have caused food products, such as juices and other agricultural produce, to perish while in transit. If exports of tea and coconut have import content, than those imports require import licenses to ensure the quality of exported items. India recently initiated an anti-dumping investigation on the import of jute yarn/twine (multiple folded/cabled and single), Hessian fabrics, and jute sacking bags from Bangladesh and Nepal. This investigation follows the application lodged by the Indian Jute Mills Association on behalf of the domestic producers of the subject goods.

Relevance/impact. Under the current import policy schedule in India (Foreign Trade Policy, 2009-14), approximately 445 tariff lines at the HS eight-digit level are subject to import restrictions. They represent about 3.9 percent of total tariff lines, and most are applied to agriculture produce (See Exhibit 17). Some 347 tariff lines are restricted, while some 98 are restricted subject to conditions. Removal of import licenses could favorably affect regional agricultural exports in terms of reduced prices and access to affordable choices, especially for the poor. Export bans and restrictions, especially of agricultural goods in India, deprive producers of the benefits of improved terms of trade. For example, when India prohibits rice exports, there are immediate effects on domestic prices in Bangladesh and Afghanistan, which has led to rice price inflation. Export bans not only worsen market conditions for import-dependent countries, but also increase price volatility (because they make the international market smaller), stimulate smuggling and the formation of cartels, and undermine trust in trade.

EXHIBIT 17. TARIFF LINES



Private sector and government buy-in. Calls for reforming export bans and import licensing on agriculture, anti-dumping, and countervailing duties tend to emerge from think tanks, such as PRI and CPD in Bangladesh, and donor organizations like the World Bank (World Bank, DTIS, 2015). The political economy of agriculture, where protection is strongest, is tilted in favor of domestic lobbyists whose power tends to outweigh any reform-minded institutions. Therefore, any effect on reforms have come from governments in times of global price spikes, and having to stabilize domestic prices rather than account for wider welfare considerations. However, agriculture exporters affected by these bans, such as the India Rice Exporters' Association and Bangladesh Jute Association, have been voicing their concerns more often in recent years.

Other donor collaboration. Once again, the World Bank has been on the forefront of calling for reduction in agriculture protection, including the removal of import license and export bans. On the advocacy front, GIZ SAARC TPN has been helping to diagnose NTBs and their removal. Most advocacy efforts by think tanks, such as SANEM in Bangladesh and CUTS in India, have been supported by the World Bank, UNESCAP and other donors.

Private sector and government buy-in. Calls for reforming export bans and import licensing on agriculture, anti-dumping, and countervailing duties tend to emerge from think tanks, such as PRI and CPD in Bangladesh, and donor organizations like the World Bank (World Bank, DTIS, 2015). The political economy of agriculture, where protection is strongest, is tilted in favor of domestic lobbyists whose power tends to outweigh any reform-minded institutions. Governments have often intervened to stabilize prices of what is deemed essential, such as rice and pulses, with the onset of global price spikes. Agriculture exporters affected by government interventions, such as the India Rice Exporters' Association and Bangladesh Jute Association, have been voicing their concerns more often in recent years.

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CHAPTER FOUR

CUSTOMS AND TRADE FACILITATION

Taking a broad definition of trade and transport facilitation, SPS/TBT standards conformity, transit control, and rail and coastal shipping are still lagging, yet some progress is underway. Among the 22 agreements signed by Prime Ministers Modi and Sheikh Hasina in June 2015, the trade facilitation agreements are a watershed for regional connectivity. The IPEC field assessment team found that customs strengthening and investment in border facilities and transport infrastructure are receiving significant support from national governments and international financial institutions. However, corruption remains relatively high among border agencies, and smuggling threatens to increase criminal activity in remote border areas.

Despite the high level of current activity and the significant funding requirements for new infrastructure, there are a few activities where IPEC can leverage its regional convening power to increase understanding and share experiences in reform areas that are struggling to achieve widespread acceptance among stakeholders, for example, single window development, risk management, negotiation of a multimodal transport agreement, and strengthening SPS and TBT conformity assessment and mutual recognition. IPEC can also leverage its convening power to improve coordination among stakeholders at the national level within the national trade facilitation committees and at the local level to create cross-border committees to support the new ICPs.

RECOMMENDATIONS OF EARLIER REGIONAL TRADE AND TRANSPORT STUDIES

The three regional organizations (SAARC, BIMSTEC, and SASEC) have each prepared a regional trade and transport study. The BIMSTEC Transport Infrastructure and Logistics Study (2006) identifies 166 road, rail, and port infrastructural projects that cost an estimated $45 to $50 billion, and a shorter list of 65 priority projects costing $15 billion. The SAARC Multimodal Transport Study completed in the same year also recommended enhancements to regional road, rail, port, and air infrastructure. Many of these recommendations have or are being implemented, including road and port construction, transit agreements, border facilities, and customs modernization. The transport mode that still lags is rail connectivity; however, specific railway segments are being strengthened or built along key transport corridors.

SASEC has prepared two trade facilitation strategies, with the latest strategy covering the period between 2014 and 2018. With its focus on trade facilitation, the IPEC assessment team reviewed trade facilitation progress in its focus countries against the SASEC 2014-2018 Trade Facilitation Strategy. The strategy sets out five priority areas for action:

1. Customs modernization and harmonization, with recommendations to simplify and expedite border formalities, increase information and communications technology processing, and develop national single windows
2. Standards and conformity assessment strengthening
3. Cross-border facilities improvement
4. Thorough transport facilitation
5. Institutional capacity building, with the recommendation to enhance cooperation and coordination mechanisms among stakeholders in the trade facilitation environment

As the next section of this chapter shows, the IPEC assessment team found that customs modernization is progressing with Automated System for Customs Data (ASYCUDA) World implementation, greater alignment to the Revised Kyoto Convention on Customs Procedure Simplification and Harmonization (RKC), and preparation for Trade Facilitation Agreement (TFA) compliance. Better understanding and application of risk management practices and development of single windows have been the slowest reforms. This can partially be explained by a lack of formal consultative mechanisms among border agencies (there is little integrated border management, except in India) and between customs and the private sector. Later, the chapter discusses cross-border facilities and notes that although problems persist with a lack of parking and warehousing space at smaller border crossings, countries in the region are investing in new border facilities. In particular, India and Bangladesh are opening new integrated check points at major border crossings. We also briefly discuss the BBIN MVA and its expected impact on regional transit trade. This is a critical development in regional trade facilitation that will significantly lower trade facilitation costs within member countries. Additionally, this chapter discusses impediments due to the lack of a credible conformity assessment and its mutual recognition among countries in South Asia.

The SASEC strategy was finalized before the BBIN MVA was signed.

STATUS OF CUSTOMS MODERNIZATION

The majority of trade facilitation reform activities implemented globally and in South Asia involves strengthening customs policies and processes. All public sector institutions engaged in trade and transport facilitation such as national customs departments and port authorities, have transitioned from a traditional attitude of control and protectionism to one of trade facilitation. South Asian countries are aligning their customs practices to the RKC. One hundred and three countries have signed the RKC, which entered into force in 2006[23]. More recently, World Trade Organization members agreed to be bound by the provisions of the TFA, which will be binding on all World Trade Organization members once two-thirds of the member countries

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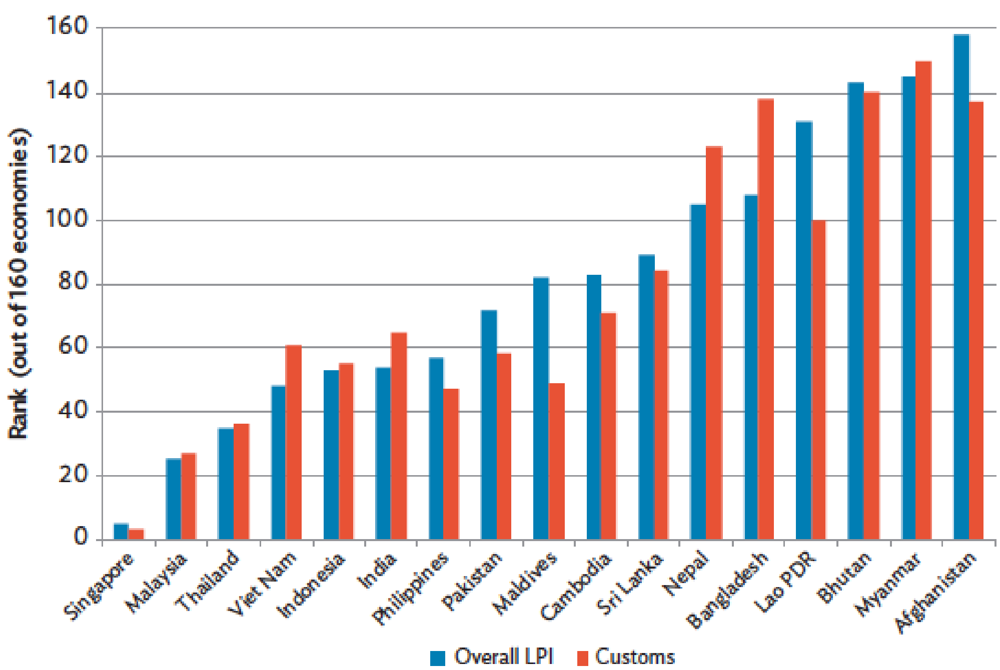
[23] Bangladesh, India, Pakistan and Sri Lanka are signatories to the RKC. Bhutan and Nepal are currently being supported by ADB SASEC to join the RKC.

ratify it. Currently, 72 out of 162 total member countries have ratified the agreement. Thus far, India, Pakistan, and Sri Lanka have ratified the agreement.

INTER-REGIONAL COMPARISONS OF CUSTOMS PERFORMANCE

Before looking at each country's customs practices and reforms, it is useful to compare customs practices in the region with the rest of the world. The World Bank's Logistics Performance Index is an index of the perceptions of thousands of forwarders and couriers on six dimensions of trade, including customs performance, infrastructure quality, and timeliness of shipments. The latest published survey in 2014 of 160 countries ranks India as fifty-fourth — similar to Indonesia, the Philippines, and Vietnam. Maldives ranks eighty-second, Sri Lanka ranks eighty-ninth, Nepal ranks one-hundred-fifth, and Bangladesh ranks one-hundred-eighth (see Exhibit 18). It is interesting to see that, in contrast to ASEAN members, the perception of customs performance is worse than the actual Logistics Performance Index (LPI) in Bangladesh, India, and Nepal.

EXHIBIT 18. WORLD BANK LOGISTICS PERFORMANCE RANKINGS



Source: World Bank. Doing Business 2014. http://www.doingbusiness.org/rankings

Overall, South Asia has similar time and cost indicators as the Middle East, ahead of sub-Saharan Africa but behind Latin America, East Asia, the Balkans, and the Caucasus and Central Asia (see Exhibit 19). Looking more closely at trade facilitation challenges in the South Asia region, the time and cost of exporting is not dissimilar to East Asia and the Pacific. However, the time and cost to import is about twice as much as exporting — reflecting the historic protectionist policies of South Asian countries.

EXHIBIT 19. 2016 TRADING ACROSS BORDERS INDICATORS BY REGION

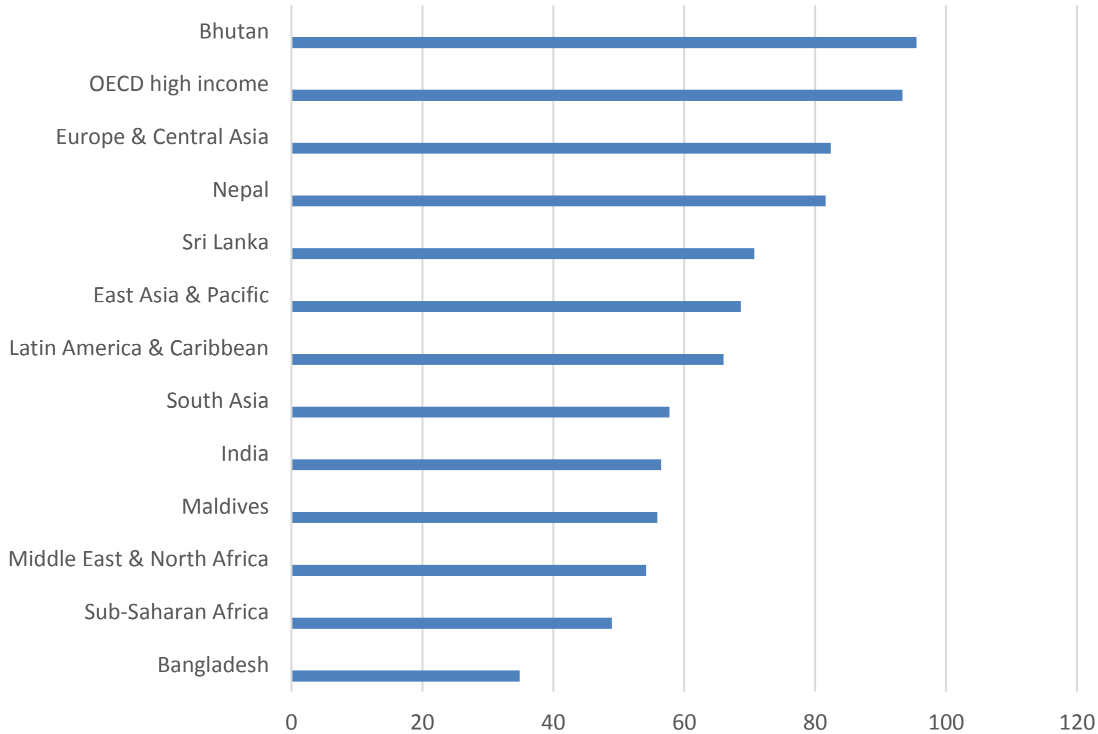
		Export				Import			
Region of Developing Countries	DTF	Time to Export: Border Compliance (Hours)	Cost to Export: Border Compliance ($)	Time to Export: Documentary Compliance (Hours)	Cost to Export: Documentary Compliance ($)	Time to Import: Border Compliance (Hours)	Cost to Import: Border Compliance ($)	Time to Import: Documentary Compliance (Hours)	Cost to import: Documentary Compliance ($)
East Asia & Pacific	68.67	51.4	395.7	74.7	166.9	59.3	420.8	69.7	148.1
Europe & Central Asia	82.42	27.6	219.2	30.7	143.8	23.2	202.4	27.4	108.1
Latin America & Caribbean	66.02	86.1	492.8	68	134.1	106.8	665.1	93.3	128.1
Middle East & North Africa	54.2	65.4	445.1	78.8	351.1	119.7	594.3	104.7	384.6
OECD high income	93.33	15.2	159.9	4.5	35.6	9.4	122.7	3.9	24.9
South Asia	57.75	60.9	375.6	79.8	183.9	113.9	652.8	108.1	349.3
Sub-Saharan Africa	48.96	108.2	542.4	96.6	245.6	159.6	643	123	351.3

Each year the World Bank measures the time and cost for traders to import 15 tons of containerized auto parts from its largest supplier and export its largest export by value to its largest export market in 189 countries and territories as part of its Doing Business indicator program.[24] Exhibit 19 above summarizes the average times and costs for each country in different regions of the world. Border compliance includes all customs clearance, port handling, and relevant border agency inspection procedures while documentary compliance includes preparing and submitting all necessary documents.

The Doing Business distance to frontier score (DTF) measures the gap between a particular economy's performance and the best practice, and serves as the basis for the ease of doing business rankings. An average trading across borders DTF has been calculated for each region and country and provides a quick summary of the costs and time to export and import. Despite having the best LPI, India has a relatively low DTF of 56.5, due to its relatively slower clearance time and costs (see Exhibit 20). Doing Business recorded the compliance time to import and export at Nhava Sheva Port as 311 and 88 hours, respectively, in late 2015. Nepal and Bhutan, despite being landlocked and having weaker LPIs, manage to have lower export and import time/costs.

[24] For example, the border compliance cost is $408, the documentary compliance cost is $225, the border compliance time is 100 hours and the documentary compliance time is 147 hours to export a container of knitted clothing from either Dhaka or Chittagong to Germany. Bangladesh ranks 172 out of 189 countries in the Trading Across Borders indicator.

EXHIBIT 20. 2016 DISTANCE TO FRONTIER SCORES FOR TRADING ACROSS BORDERS



The Doing Business trading across borders indicators show the current state of trade facilitation outcomes in terms of cost and time of trading goods across borders. It is useful to examine the factors or inputs that influence these time and cost outcomes. These inputs are represented in the individual articles of the TFA.

The most comprehensive survey of progress countries have made in meeting the TFA commitments is undertaken by the United National Regional Commissions. Its 2015 Joint Survey on Trade Facilitation and Paperless Trade Implementation provides an overview of the current state of trade facilitation implementation in 119 economies from eight regions worldwide. The survey covers 38 trade facilitation measures: 22 are TFA commitments and 16 are paperless trade commitments.[25]

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[25] The survey instrument was prepared taking into account the final list of commitments included in the WTO Trade Facilitation Agreement (TFA) as well as the content of the draft text of the regional UN treaty on cross-border paperless trade facilitation under negotiation at UNESCAP. Nearly all data was collected between October 2014 and June 2015. Based on the data collected, each of the trade facilitation measures included in the survey for which sufficient and reliable information was available was rated either as "fully implemented," "partially implemented," "on a pilot basis," or "not implemented." A score of 3, 2, 1, and 0 was assigned to each of the four implementation stages to calculate implementation scores for individual measures across countries, regions, or categories.

EXHIBIT 21. IMPLEMENTATION OF TRADE FACILITATION AROUND THE WORLD

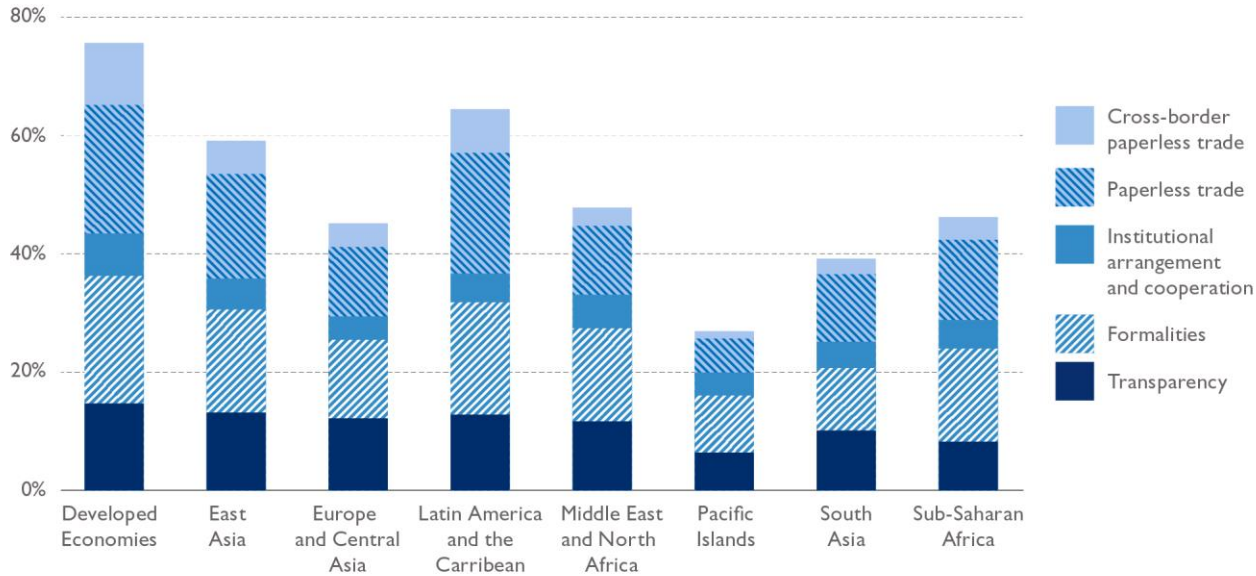
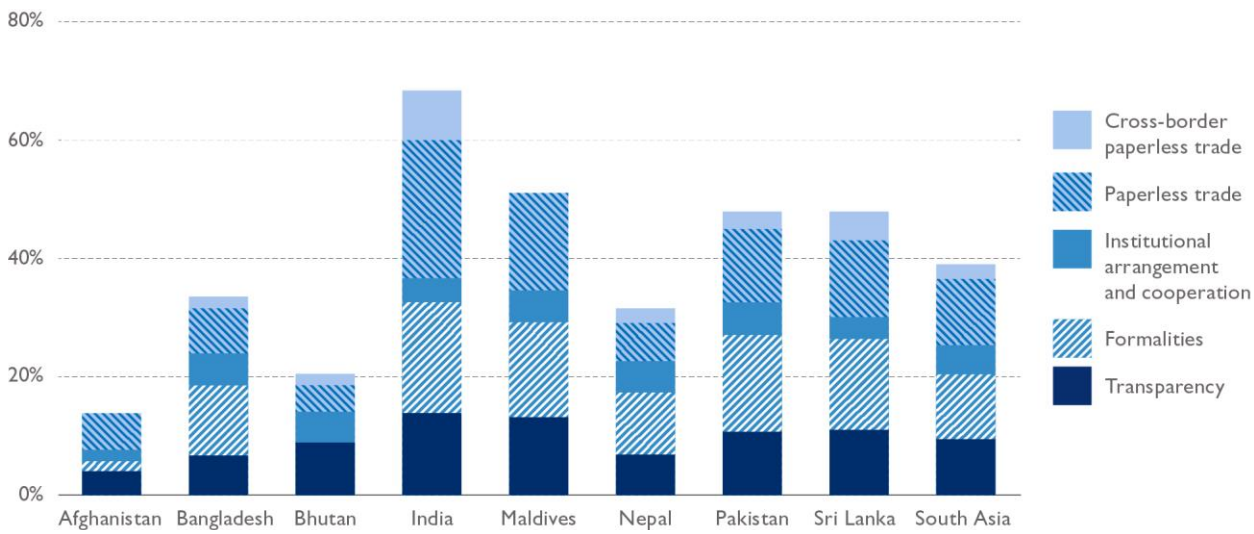


EXHIBIT 22. IMPLEMENTATION OF TRADE FACILITATION IN SOUTH ASIA



Briefly reviewing the findings of the survey, Exhibit 21 above shows that developed economies have an average implementation rate across the 38 measures of 75.4 percent. South Asia is the second-lowest performing region, with a 38 percent implementation rate, after the Pacific Islands and lower even than sub-Saharan Africa.[26] South Asia achieved the least progress in

[26] The UNRC Survey relies on the World Bank country grouping of South Asia which includes Afghanistan and Pakistan. Excluding Afghanistan from the grouping increases the average South Asia implementation rate to 43%.

cross-border paperless trade (measures relating to exchange of information among countries and e-commerce). This finding was reflected in our discussions with customs officials and traders, who stated that although informal sharing of information occurs across border posts, between customs there is nearly no formal exchange or electronic data exchange. This is of particular concern for efforts to encourage intra-regional trade in South Asia.

Regarding the implementation rates of South Asian countries, India stands out with an implementation rate of 64 percent (see Exhibit 22 above). However, every other South Asian country has implemented less than 51 percent of the 38 surveyed trade facilitation measures. Sri Lanka and Pakistan have achieved 47 and 48 percent, respectively. Nepal and Bangladesh have only achieved 34 percent and 35 percent of these measures, respectively.

CUSTOMS MODERNIZATION AND HARMONIZATION PROGRESS IN SOUTH ASIA

The UNRC survey findings are consistent with our discussions in the field. Similar to the UNRC survey, the ADB also noted that India has made the most progress on customs modernization in the sub-region. Exhibit 23 summarizes the progress to date made by larger economies in the region. India is the only country to have come close to fully implementing risk-based selectivity or a functioning national single window.[27] Most clearance procedures require hard copies of documents and multiple signatures. There is, however, significant scope for human intervention to unnecessarily delay clearance. The good news is that each country recognizes their shortcomings and has been reforming their policies and procedures. Traders note that among public agencies at the border, national customs authorities have experienced the greatest shift in attitude from trade protection to trade facilitation. Clearance times and costs have also improved over the past five years.

EXHIBIT 23. CUSTOMS MODERNIZATION PROGRESS IN THE LARGEST SOUTH ASIA ECONOMIES

	Risk Management Implemented by All Agencies	Electronic Declaration and Supporting Documents	AEO Program Operating	Single Window Operating	NTFC Operating
Bangladesh	Partial	Partial	No	No	Partly
India	Fully	Fully	Partial	Fully	No
Nepal	No	Partial	No	No	Yes
Sri Lanka	No	Partial	Partial	No	Yes

http://data.worldbank.org/about/country-and-lending-groups

[27] See http://nacen.gov.in/inspire/uploads/downloads/569cc8a163fba.pdf

Many donors have supported national customs authorities to strengthen their policies and procedures, in particular, the Asian Development Bank, USAID, and the World Bank. The South Asia Sub-regional Economic Cooperation Program started in 2001 with Bangladesh, Bhutan, India, and Nepal, and has absorbed $6 billion over 34 projects. Sri Lanka and the Maldives have recently joined SASEC, and Burma is an observer.[28] In early 2013, the five-year SASEC Trade Facilitation Program was initiated, supported by the ADB through a loan/grant of $47.67 million — $21 million for Bangladesh, $11.67 million for Bhutan, and $15 million for Nepal — to provide support to customs administration (particularly RKC accession), ASYCUDA implementation, and national single window development. These initiatives provide one of the key platforms for USAID to complement its programs on the Trade Facilitation Agenda.

THE PATH TO SINGLE WINDOW

Each national customs agency in South Asia is transitioning from manual processing to automation. This often increases compliance and administration costs, because traders and officials deal with both hard copies of documents and an electronic declaration as the entre clearance processes are not fully automated. However, our meetings showed that cross-border facilitation at land border posts has been a low priority for most countries as a consequence of either unwillingness of one of the countries to comply and inadequate demonstration of cost of inaction. The institutional shift from protecting domestic industry to facilitating trade among neighbors is not yet complete. Furthermore, border agencies historically have not shared information with each other and resist automation.

Single Window

A national single window is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once. A single window is made up of an organic mixture of the collaborative efforts of all parties involved in a nation's international trade activities. In addition to a single submission of data, a national single window enables the single, synchronous processing of data and information, and a single decision on customs clearance of cargo, which expedites customs clearance, reduces transaction time and costs, and thus enhances trade efficiency and competitiveness.

Coordinating and streamlining multiple border agencies involves implementing some form of single window. Each country in the region is embarking on its own single window model. A functioning single window involves border agency coordination, linking each agency to the same information system, process simplification, and automation and risk management. Sustainable institutional reform is difficult when only one government agency is involved, but the risks and challenges are multiplied exponentially when many agencies are involved. In addition, the government needs to provide a clear legal mandate and sufficient budget, appoint a lead agency,

[28] See http://sasec.asia/uploads/publications/sasec-brochure-2014.pdf

and allocate ownership and accountabilities to all stakeholder agencies.

Single window implementation progress in South Asia (as in most other regions) has been slow. Border agencies traditionally resist sharing information and automation. Implementation of the ASYCUDA World in Bangladesh, Nepal, and Sri Lanka is helping to provide a common information technology platform among agencies. The World Bank is due to start a single window support project in Nepal in August 2016, and is continuing USAID's support for Bangladesh's single window in a five-year project. ADB has been supporting road maps to develop single windows in Bhutan and the Maldives, and is considering information technology support for Sri Lanka's single window. Sri Lanka's single window initiative involves eight agencies and is at least three years from becoming operational according to customs. Only a few agencies have been linked to ASYCUDA World, and banks need to be connected to the online payment system.

India has made significant progress toward a fully functioning national single window. In 2009, India developed the Indian Customs Electronic Commerce/Electronic Data Interchange Gateway — ICEGATE.gov.in — a portal that provides e-filing and e-messaging services to 15 types of trading organizations, including 44 public agencies for clearing goods. Currently about 24,000 users are registered with ICEGATE. India piloted a complete single window with the Quarantine and Food Standards Authority in April 2013. On April 1, 2016, an integrated declaration is expected to be operational, which will combine a single electronic admission document with the facility for scanning supporting documents and a risk-based selectivity module. The latter will involve deciding on behalf of all border agencies the level of documentary or physical inspection and testing, and the level of delegation of authority to customs to perform these functions.[29]

ASEAN regional and national single windows. The ASEAN regional single window is an environment where 10 national single windows of individual member countries will operate and integrate. Each national window will share information so that the data only has to be entered once for a consignment moving from one member country to another. Singapore, Malaysia, and Thailand are leading the way by already having NSWs established, while further east, NSWs are in the planning phase, with 2018 appearing to be a more realistic implementation date. Cambodia, Laos, Burma, and Vietnam are still working on their pilot national single windows.

SINGLE WINDOW IMPLEMENTATION IN SOUTH ASIA

The UNECE defines five elements of single window implementation:[30]

1. Stakeholder management and interagency collaboration
2. Business process analysis and simplification
3. Data harmonization

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[29] See Circular- 10/2016-Customs, 15 March 2016.
[30] http://www.unece.org/fileadmin/DAM/cefact/publica/SWImplementationFramework.pdf

4. IT systems inter-operability
5. Legal framework development

Country progress with customs process automation. The second and third elements of single window implementation involve applying automation and risk management to streamline the clearance of consignments. Countries are implementing ASYCUDA World and accept electronic declarations, but hard copies of supporting documents are still required. India has developed its own customs IT system and is close to a fully functional single window, which will accept scanned copies of supporting documents in a few weeks. Hard copies invite human intervention and "speed money," i.e. bribery. Also noteworthy in progress with customs automation are the following:

- The ADB has supported implementation of ASYCUDA World in Nepal and Bangladesh. ASYCUDA World is currently being tested at four pilot sites in Nepal, and full implementation is likely to take place by 2018. The ADB has also supported Nepal to apply to become a member of the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.
- Bangladesh uses ASYCUDA World to process declarations submitted online; however, supporting documents are submitted manually. A minority of declarations require a physical file to be created and 22 signatures; brokers can expedite with "speed money."[31]
- India has developed its own customs automation application and all Indian ports now accept electronic declarations online. All processes except transit are automated.
- In Bhutan, the ADB has supported customs administration and automation, and the country is now a member of the RKC.
- Sri Lanka has also implemented ASYCUDA World. At the moment, 100 percent of transit trade is automated, 90 percent of imports is automated, and 60 percent of exports is automated. However, hard copies of documents still need to be submitted.

Country progress implementing risk management in customs. Centralized risk management acting on behalf of all border agencies is at the heart of a single window. Customs on its own struggles to apply risk-based selectivity to its clearance process, while quarantine and standards institutes generally apply no risk management. Progress in customs risk management includes the following:

- Bangladesh is moving toward risk-based selectivity. A risk management unit operates within the Customs Department, and about 30 percent of imports are formally risk-managed. Twenty percent of consignments are physically examined while the remainder are observed

[31] One reason for the persistence of hard copies is the requirement by banks to only approve physical copies of the bill of lading and invoice in order to make an international payment.

being offloaded. Customs would like to pilot green channeling with selected garment exporters; the garment association prefers all exporters to be green-channeled.

- The risk management module of ASYCUDA World is not yet fully used in Sri Lanka. Selectivity is based on the opinion of officers. The 200 trusted traders are subject to documentary checks, while about 70 percent of consignments receive cursory physical examination.
- Risk management appears to be fully operational in India, including at its land border posts. Both import and export consignments are selected for examination by the Indian Customs Electronic Data Interchange (EDI) System. Overall, physical examination is less than 5 percent of total consignments at Petrapole.
- The Nepalese Customs Department currently selects consignments for documentary or physical examinations based on their tariff rate. One commentator suggested that 80 percent of consignments are red channeled to elicit a bribe.

In support of risk management, customs authorities are beginning to implement trusted trader programs that permit large traders with good compliance records more streamlined clearance. For example, India's Accredited Client's Program comprises about 251 importers who may self-assess their consignments with no need for examination. No South Asian country has yet developed a formal authorized economic operator program under the World Customs Organization SAFE Framework of Standards to Secure and Facilitate Global Trade of supply chain security measures, where any trade-related stakeholder can apply to have their supply chain security policies and processes approved by Customs in return for further streamlined benefits. USAID is supporting the introduction of an Authorized Economic Operator program in Bangladesh.

CORRUPTION AND SMUGGLING AT THE BORDER

Most commentators and stakeholders that the IPEC field assessment team met, mentioned the prevalence of informal payments, or "speed money," to facilitate transactions with all public agencies. Ignoring informal payments means having your consignment sit in port or land crossing for weeks. In the long run, electronic documentation, automation, and centralized risk management will eliminate many opportunities for informal payments during the clearance process. However, each agency excluded from a lucrative source of revenue will resist change and slow down the reform process. For example, Nepal and India enjoy the most liberal bilateral trade and transit agreement, yet back-to-back truck trans-shipment and associated informal payment structures still persist largely due to the control of public authorities. This may be a particular concern for SPS and TBT certification and will involve many stages of human intervention.

The lack of infrastructure and NTBs and overall high transaction costs of formal cross-border trade with North East India mean that informal cross-border trade with Bangladesh is a large share of recorded trade. A long porous border and population along the border facilitate this illegal trade. Anecdotal estimates of illegal trade across the border range from two to 10 times the legal trade.[32] Food and fish are smuggled from Bangladesh to India. Building materials and cooking gas are smuggled into Tripura. Armed gangs smuggle gold, cattle, and drugs and practice human trafficking. Truck drivers are said to pay 30,000 Indian Rupees in Manipur for protection money.

TRADE FACILITATION AGENCY COORDINATION

As shown by the foregoing discussion, considerable activity involving multiple stakeholders is taking place in terms of customs modernization and simplification, border agency coordination, and border crossing infrastructure and organization. Investment in transport and conformity assessment infrastructure and administration is also taking place (discussed later in this chapter).

CUSTOMS CONSULTATION AND COOPERATION

As the lead agency at the border, customs authorities play a central role in coordinating with other agencies and the private sector. The Trade Facilitation Agreement emphasizes the importance for customs authorities to coordinate with other border agencies, share information with other customs authorities, and consult with the private sector.

At the regional level, SASEC members established the Transport and Trade Facilitation Working Group, composed of senior officials — all of whom are members of their respective national trade facilitation committees. The working group developed and monitored implementation of the SASEC 2014-2018 Trade Facilitation Strategy.[33] SASEC also established the regional SASEC Customs Sub-group in 2013 under the working group to strengthen customs cooperation, partner with the private sector to eliminate NTBs, and implement the strategic plan. The sub-group comprises national customs directors general and meets regularly.

Cross-border customs cooperation. India and Bangladesh have a joint customs working group that meets regularly and has implemented reforms on border operations, including permitting officials to enter each other's territory to discuss border issues for eight hours without visas. India also has a customs cooperation agreement with Bhutan.

India's Customs Office at Petrapole is in nearly daily contact with its Bangladeshi counterpart by phone or in person. Currently, there is no electronic data

> With the opening of the first integrated check post between India and Bangladesh, joint activities are now physically possible.

[32] An estimated 1.8 million cattle illegally cross into Bangladesh each year. World Bank estimates of total informal trade of goods brought into Bangladesh from India over the period 1995 to 2003 suggest a high of 58% of Bangladesh formal imports from India in 1995 and a low of 20% in 2003. Cattle represented about 40% of this value of informal trade. http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/223546-1168296540386/ch8.pdf and http://www.hindustantimes.com/india/cow-smuggling-along-bengal-border-with-bangladesh-goes-down/story-NaNyk0W6j6dWjMaPUDWyUM.html

[33] The mid-term review of the Strategy will be conducted during 2016.

interchange available to receive pre-arrival declarations or truck manifests. However, ASYCUDA World complies with India's ICES system and India has recently completed work on automating transit processing with Nepal and Bhutan. EDI is expected to be in use for transit clearance by the end of 2016. The ADB is supporting Nepal on its transit implementation, and Nepal has accepted India's transit declaration format. It will be ready to exchange data with India after ASYCUDA World is implemented.

India and Nepal are the most advanced in terms of planning to establish a joint border facility; however, political differences suggest that joint operation is still a number of years away. Joint clearance at Birgunj would considerably increase risk management for Nepalese customs. With the opening of the first integrated check post between India and Bangladesh, joint activities are now physically possible. The WB is supporting Bangladesh in this work. Both customs agencies are in daily contact via mobile phone but have yet to develop EDI links. This will likely change soon, after automated transit processing is introduced following MVA implementation.

Customs consultations with the private sector. TFA Article 2.2 requires border authorities to engage in regular consultation with their stakeholders. India has a formal mechanism of consultation with brokers, forwarders, and transport operators at the national and local levels; the Petrapole Customs Office meets with brokers regularly. World Bank Group TFA reviews of Bangladesh and Sri Lanka found that no formal consultation mechanisms exist and that the private sector has had little opportunity to comment on legislative changes in advance of enforcement. A similar situation exists in Nepal. The Bangladesh review found that the Benapole Land Port Authority participates in a high-level advisory committee, comprising government and private sector representatives that meet on an as-needed basis (approximately every three months), and that customs consultation with traders does take place informally. However, personal broker-officer discussions cannot be relied upon to impartially and transparently inform or advocate.

COUNTRY PROGRESS WITH INTERAGENCY COLLABORATION

The first of the UNECE's recommended steps to implement a single window is perhaps the most crucial, and is also necessary for ongoing trade facilitation improvement. Article 8 of the TFA requires countries to ensure border agencies coordinate their activities to facilitate trade. Historically, South Asian border agencies have focused more on security and revenue collection than trade facilitation. There are few service level agreements between border agencies with the objective of facilitating trade. The IPEC field assessment team found the following status of inter-agency collaboration in Bangladesh, India, and Sri Lanka:

- At Benapole, the Bangladesh Ministry of Agriculture has access to ASYCUDA World but applies its own risk management to selecting consignments for examination. Nevertheless, quarantine unit at the border examines each fruit and vegetable consignment and issues a certificate, whether or not the goods were examined.

- Until the new integrated check post opened in February at Petrapole, Indian customs officials carried hard copies of declarations to the plant/animal quarantine teams that then made their own examination decision. The single window will select consignments for examination.

- Although the 15 border agencies in Sri Lanka are linked to ASYCUDA World, each agency makes its own decision on whether to make documentary or physical examinations. Only Sri Lanka Standards Institute (SLSI) applies any form of risk management. One commentator suggested up to five different officers examine documents accompanying a container after it is unloaded.

NATIONAL TRADE FACILITATION COMMITTEES (NTFCS)

To reflect the difficulties that many countries have in implementing robust inter-border agency coordination, Article 23.3 of the TFA obliges member countries to establish a national trade facilitation committee to coordinate agencies and implement measures required under the TFA. UNCTAD and the ITC have been working with countries to establish trade facilitation bodies over the past four decades. About 70 countries have established some form of facilitation body. Some countries may have already established a broader trade and transport facilitation committee (e.g., Pakistan), which can be instructed to implement the TFA or establish a new committee for this purpose (see Exhibit 24 below). The NTFC can start off as a small working group of key officials. After being well-established, NTFCs can be tasked with developing and implementing a broader trade facilitation strategy and increasing public awareness.

UNCTAD finds that the Ministry of Commerce is usually the lead coordinating agency. Senior representatives with sufficient experience and authority should represent key public and private sector stakeholders. Sufficient public funding and an effective secretariat are key success factors. The average number of members is 17 — more in higher-income countries and less in lower-income countries. Per capita income also reflects the institutional standing of facilitation bodies; the lower the per capita income, the more often the committee reported to a higher level of authority, such as the prime minister. The most important element of success is the effective participation of the private sector.[34]

The cabinet approved India's membership in the TFA on February 17, 2016, and is establishing an NTFC under the co-chair of the ministries of Commerce and Customs, as well as a number of state-level committees. Sri Lanka established its NTFC in June 2014. The ADB supported the establishment of NTFCs in Bhutan and Nepal. In Bangladesh, the NTFC has 19 members under the chairmanship of customs. After TFA implementation, the government of Bangladesh plans to expand the NTFC into a national trade and transport facilitation committee. There is a risk in South Asia that the committees will be dominated by the public sector — regardless of the number of private sector members — and will be funded only enough to comply with the TFA, rather than expanding the mandate and duration to plan and implement a broader trade facilitation strategy. The coordination lessons learned complying with the TFA could prove invaluable for broader trade and transport facilitation.

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[34] UNCTAD, National Trade Facilitation Bodies in the World, 2014.

EXHIBIT 24. STATUS OF TFA RATIFICATION AND NTFC OPERATION IN SOUTH ASIA

	TFA Ratified	Notified Category A Commitments	NTFC Established	NTFC Active
Bangladesh	No	No	2013	Partly
Bhutan	No	No	2014*	Yes
India**	No	No	2016	No
Nepal	No	Yes	2012*	Yes
Pakistan	Yes	Yes	2001*	Yes
Sri Lanka	No	Yes	2014	Yes

* National Trade and Transportation Committee
** The Indian Government has approved TFA membership – awaiting Parliamentary ratification

BORDER FACILITIES

In South Asia, 65 to 70 percent of all freight is carried by road.[35] Two border crossing points carry the bulk of intra-regional road freight: Petrapole-Benapole and Birgunj-Raxaul. Indian customs at Petrapole processes about 500 trucks per day, exporting goods from India to Bangladesh, such as raw materials, chemicals, fabric, capital equipment, some agricultural goods, and 150 new trucks delivered to dealerships. About 100 trucks per day enter from Bangladesh bringing jute, betel nut, and cotton waste. Only 10 to 15 percent of goods are containerized; all other goods are carried by 7 to 10 ton open payload trucks. The narrow, congested, and well-populated 50-mile route along the old Trunk Road from Kolkata to Petrapole forces trucks to drive at night to the border.

Every truck carrying export consignments is "obliged" to spend two to three days in the Kalitala parking area of the municipality of Bongaon, about five kilometers from Petrapole. The town relies on ancillary employment and revenue from parking fees. Officials expect this decades-old practice to discontinue after the new integrated check post and motor vehicle agreement are fully implemented.

The Indian Land Port Authority is developing a number of ICPs at key border crossings. The Petropole ICP was officially opened on February 12, 2016, and was to become operational after one month of staff training. Customs officers claim it will be the largest land border crossing in Asia, with the capacity to process 1,500 trucks per day. The ICP will have four truck-weighing stations compared to the existing one, and will be able to scan trucks and containers. Covered truck bays will be used to examine exported goods; however, customs is concerned there is no covered inspection area for imports.

The new ICP does not have any laboratories to test imported plant matter, food, and meat from Bangladesh. Customs officials argue that little food is imported other than Hilsa fish, which they clear with valid Bangladeshi certificates. However, Bangladesh traders complain of trucks waiting for days at the border for testing reports from the lab in Kolkata. No Indian border

[35] SAARC Regional Multimodal Transport Study, 2006, page 2.

crossing with Bangladesh has a laboratory nearby. The only border crossing with any plant or animal quarantine service is Petrapole, which is 50 miles away from the border. This places a severe restriction on cross-border agricultural trade between Bangladesh and North East India.

On the Benapole side, a four-lane access road connecting Dhaka is being constructed and scheduled to be completed in 2022, which will more than double current road transport capacity. A November 2014 time release study, funded by the International Finance Corporation, found that the average clearance time for an import consignment subject to normal procedures is six days and 23 hours, while a consignment subject to simplified procedures takes 25 hours. The average export consignment takes four days and five hours to clear, some of which is the time taken by the broker to carry the hard copy of the declaration around to customs officials and obtain their signatures. As ASYCUDA World is fully implemented and automates clearance, such broker interventions should decline. The other cause of delay is the requirement for trucks to unload their goods into one of 42 product-specific warehouses and wait for inspection and reloading onto a different truck for the onward journey.[36]

The new motor vehicle agreement implemented by signatories — Bangladesh, Bhutan, India, and Nepal — will permit a limited number of trucks from each member to enter another member's territory without time or distance limits. Currently, Indian trucks can only enter a few kilometers into Bangladeshi territory, and vice versa. For the first time, trucks from signatory countries will be able to transit other members' territories. This will save time and cost loading and unloading trucks at India's land border crossings.

Among other border crossings' common problems are a lack of parking and warehousing. There is no government-provided parking facility at Ghojadanga LCS, and Mahadipur, Changrabandha, and Hili have no proper parking facility for inbound trucks. A lack of appropriate warehousing, fencing, and lighting mean that theft from LCS premises is common.

At Burgunj in Nepal, import clearance on the Nepalese side is currently completed within a day due to a lack of sufficient parking and inspection facilities. Nepalese customs receives truck manifests in advance of arrival of the truck, and after a cursory examination, the consignment is cleared for release. There is no ability to access a truck to conduct an effective physical examination. All trucks are cleared out of the limited parking area by 6 p.m. to make way for trucks arriving the following day. The cursory examination is an invitation for an informal payment. Implementation of ASYCUDA World in a few months is expected to ensure trucks are not inappropriately released, although the space restrictions remain unaddressed.

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[36] ADB is supporting the Benapole and BLPA has undertaken a 3-year project (estimated costs US$ 21.58 million) in July 2013 entitled "SASEC Road Connectivity Project: Improvement of Benapole & Burimari Land Port" to enhance physical capacity of two land ports and install a scanner at Benapole land port.

TRANSPORT COMPETITIVENESS

This section reviews current investment in transport infrastructure and facilitation intended to improve intra-regional connectivity. The ADB estimates about $73 billion is needed to cover remaining connectivity projects. New coastal shipping and inland waterway agreements open new opportunities for regional transport and will relieve some pressure from India-Bangladesh land crossings. Greater regional rail cooperation should be able to significantly reduce intra-regional transport costs. Plans to negotiate a multimodal transport agreement are an important step in this regard and may provide an opportunity for IPEC support.

TRANSPORT CORRIDORS LINKING SOUTH ASIA TO ASEAN

Inadequate transport infrastructure remains an impediment to trade between India, Nepal, Bhutan, Bangladesh, Burma, and Thailand. Bangladesh shares a relatively short border with Burma, while India's seven sister states share a 1,500 kilometer border, yet remain inadequately equipped to serve as the bridge between India, Bangladesh, and Burma. Security concerns have arisen recently regarding travel and border crossing in the remote areas of the seven sister states.

Within South Asia, roads carry 80 percent of total cross-border freight, sea carries 16 percent, and rail carries 4 percent. Much of this freight (valued at about $5 billion in 2015) crosses the Petrapole-Benapole ICP. Improvements to cross-border rail links and the introduction of coastal shipping across the Bay of Bengal will increase their share of intra-regional trade and take pressure off the Petrapole-Benapole border crossing.

CROSS-BORDER FREIGHT AT A GLANCE

Cross-border freight in South Asia travels:

- 80% by road
- 16% by sea
- 4% by rail

Each government in the region has infrastructural targets for the intermediate and long-term. Such projects intend to provide trade and investment connectivity to the seven sister states, Bangladesh, and Burma, as well as access to ports of landlocked countries, such as Nepal and Bhutan. India, for example, plans a seven sisters' corridor model of infrastructure, entrepreneurship, and foreign policy, modeling the Delhi-Mumbai Industrial Corridor.[37] Bangladesh, on the other hand, is planning for better in-country integration with the Dhaka-Chittagong national highway, as well as building national roads and bridges to connect to India's seven sister states.[38] The Petrapole-Benapole border, which is the largest land border crossing between two countries in Asia, remains a challenge. Limited road access on the Indian side limits road freight transport to travel at night.

The ADB has implemented significant infrastructural projects in the region, in addition to

[37] Daspatnaik, Sourav, "Strategy for Developing India-Burma Relations', Global Protek, 2015.
[38] Bangladesh Ministry of Road and Transport, February 25, 2016.

working with customs authorities in India, Bangladesh, and Nepal under the SASEC project.[39] Under SASEC, there are country working groups for each sector, as well as a regional director general-level customs working group that meets twice per year. Currently, Burma has achieved observer status, while Sri Lanka and the Maldives are aiming to further develop their ports as major hubs for regional trade and offer infrastructure programs that ADB could potentially facilitate. Currently, "total connectivity-related infrastructure investment costs are estimated at $73 billion, including $18 billion for roads, $34 billion for railways, $11 billion for port projects, and $11 billion for energy trading."[40]

Asian highway and BIMSTEC road routes. The Asian highway network, established by the United Nations Economic and Social Commission for Asia and the Pacific in 1992, is foremost among the existing pan-Asian highway initiatives. The Asian Highway network follows frameworks for internationally agreed routes and infrastructure standards, and provides the basic template for subsequent land-based, cross-regional integration plans, including the master plan for ASEAN connectivity, the SAARC multimodal transport strategy, and the India–Burma–Thailand Trilateral Highway under BIMSTEC. Four primary Asian highway routes cross east to west, connecting South Asia and Southeast Asia through Burma, the only land bridge between the two regions.

Given political resistance to a regional FTA, BIMSTEC countries have shifted focus to construction of the trilateral highway[41] connecting India, Thailand, and Burma and the ratification of an MVA between the three countries, in addition to the BBIN MVA. There is, however, an increasing perception that the development of the BCIM corridor has become a competitor to BIMSTEC road routes, connecting India and Bangladesh to China and Burma. The completion of the Trilateral Highway under BIMSTEC by 2016, in addition to the Asian Highway Network, is expected to increase trade by 5 percent under the BIMSTEC-FTA.[42]

The ADB, the prominent infrastructure player in the region, is focusing on corridors and extensions that link the regions.[43] Under its Look East policy, in addition to its $2 billion line of credit with Bangladesh, India has extended a $500 million line of credit to Burma for a series of infrastructure projects, including road and rail projects. India is supporting the Kaladan Multimodal Transit Transport Project (connecting Mizoram to Sittwe port in Burma); upgrading the Kalewa-Yargi Road section of the Trilateral Highway (connecting Moreh in Manipur to Mae Sot in Thailand through Burma); constructing 69 bridges and approach roads on the Tamu-

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[39] http://www.adb.org/countries/subregional-programs/sasec, retrieved on March 24, 2016.

[40] ADB Institute and ADB, Connecting South Asia and South East Asia", February 22, 2016.

[41] http://www.india-briefing.com/news/indiamyanmarthailand-trilateral-highway-investment-opportunity-making-11535.html/ , retrieved on March 25, 2016.

[42] http://www.ipcs.org/article/india/bcim-and-bimstec-two-competing-initiatives-for-northeast-india-4454.html, retrieved on March 25, 2016.

[43] Roads underway in India via the ADB investment structure are: Imphal-Moreh, Chennai port expressway, in Burma: Eindu-Kawkareik, Kawkareik – Myawaddy, Yagyi-Kalewa, Kalewa – Tamu, Thilawa – East Dagon, East Dagon – NR1Road; in Thailand: Myawaddy – Mae Sot, Mae Sot – Tak, and in Cambodia: Aranyaprathet – Poipet.

Kalewa section of the Trilateral Highway; and building the Rih-Tedim Road in Burma (across Mizoram).[44]

Rail routes. Although road links exist and mainly just need upgrading, many rail links are missing altogether; there is currently no rail connectivity between South Asia and Southeast Asia. Rail construction costs are compounded by differences in gauges and rolling stock. Rail links between Bangladesh, North East India, and Nepal are not operative due to a lack of transit facilities. A weekly rail cargo service operates between Kolkata and Dhaka via Benapole for bulk cereals and fertilizer. Railways suffer from overstaffing, poor maintenance, and old rolling stock, losing shares to the road sector. Exporters consequently make limited use of railways. Sri Lankan traders complain that despite railway transport charges being low, additional loading charges make rail transport less competitive than road transport.

Although road links exist and mainly just need upgrading, many rail links are missing altogether; there is currently no rail connectivity between South Asia and Southeast Asia.

Developing an integrated multimodal transportation system is necessary if traders are to receive the cost and time benefits of rail. The governments of Bangladesh and India have agreed to rehabilitate Akhaura-Agartala and other cross-border rail links. The ADB has a series of rail projects in each country, including rehabilitation of old rail lines and/or construction of new ones.[45]

Sea routes and main ports in the Bay of Bengal. India sees Kolkata and the Bay of Bengal as the gateway to trade with South East Asia. The development of ports is perceived as a priority given ports' ability to handle the largest volume of freight; they act as the gateways to cross-border corridors, and container trade is closely associated with manufacturing supply chain networks, a key driver of growth in the region. In comparison, the benefits from increased land connectivity via remote border crossings are likely to be much smaller. However, the ports of Kolkata/Haldia, Chittagong, and Yangon/Thilawa suffer from shallow drafts, operational inefficiencies, and restrictions on road and rail access. Port investment to overcome these limitations will increase the size and frequency of vessel calls. The ADB is currently supporting port development in these three port areas, in addition to new ports in Dawei and Kyaukpyu, as well as strengthening the river port in Sittwe.

In addition to infrastructure, both countries are improving access to their coastal shipping markets to facilitate bilateral trade and take some pressure off the land border crossings. During Modi's visit to Bangladesh on June 6, 2015, Bangladesh and India signed the Agreement on Coastal Shipping to facilitate bilateral shipping and access by North East Indian states to Bangladeshi ports. For the first time, vessels will be able to ship cargo directly from Chennai or

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[44] http://mea.gov.in/bilateral-documents.htm?dtl/25485.

[45] Jiribam-Imphal, Imphal –Moreh, Tamu-Kale, Kale-Mandalay, 3 Pagodas (Burma and Thailand), Bangkok-Aranyaprathet, Poipet-Phnom Penh, Phonm Penh-Loc Ninh, Loc Ninh-HCMC, Lashio – Ruili, Ha Noi – Lao Cai, Dawei – BCP Burma, and BCP-Nam Tok.

Kolkata to Chittagong, rather than trans-ship via Singapore or Colombo. This will save up to a month of travel time.

Inland waterways. Inland waterways are traditional trade routes, but outdated bilateral water protocols have not facilitated significant cargo volume. Aside from some cement trade between India and Bangladesh, and spices and tea between Bangladesh and Burma, very little data exists regarding the impact that inland waterways have on trade. Similar to the recently established informal border markets (Haats),[46] they have been viewed as primarily for low-volume trade. During Prime Minister Modi's visit to Bangladesh, India and Bangladesh renewed the 1972 Protocol of Inland Waterways Transit and Trade for a five-year term.[47] If each government invests in the necessary dredging, navigation, and port facility upgrades, the private sector may be induced to expand and upgrade their fleet and route capacity. Moreover, regulatory responsibilities for inland waterways needs to be clearly allocated between the Bangladesh Department of Shipping and the Bangladesh Inland Water Transport Authority. The modest terms of the agreement and regulated freight rates may discourage some private carriers.

BILATERAL AND MULTILATERAL TRANSPORT AGREEMENTS

Motor vehicle agreement. A major impediment to regional connectivity has been the inability of Indian traders to transit Bangladesh and the distance/time limits imposed on trucks under India's bilateral agreements with Bhutan and Nepal. All Indian and Bangladesh trucks have to unload trans-ship vehicles at their borders. The new BBNI Motor Vehicle Agreement provides for bilateral and transit road transport without distance and time restrictions on vehicles. The MVA was signed by the four countries in July 2015, and when ratified by Bhutan (expected in June 2016), will usher in significant trade and transport facilitation savings in cross-border trade. For the first time, Indian trucks will be able to drive across Bangladesh from Petrapole to Agratala, saving 500 kilometers. Member states are currently negotiating implementing protocols to administer insurance, guarantees, vehicle specifications, routes, and permits. However, only a limited numbers of trucks will be permitted to access other members' territory; authorities told the IPEC II field assessment team that they did not anticipate undue competition for permits. In year one of operations, an estimated 200 trucks are expected to be given permits for India-to-Bangladesh travel and pilot MVA implementation.

Multimodal transport. Containerization is essential for efficient intra-regional trade. Containers not only provide for seamless and faster multimodal transport and greater security than loose or palletized consignments, but they also permit faster border clearance with appropriate risk management. As ports develop, roads are strengthened across the region, and the MVA is implemented, freight will be able to be transported regularly by container. The MVA and containerization will provide a quantum leap in transport facilitation, as the same container can deliver fabric from Gujerat to Dhaka and return with ready-made garments.

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[46] A haat is a border trading area or bazaar set up within 150 meters of the border on each side.

[47] http://mofa.gov.bd/sites/default/files/Protocol%20on%20Water%20Transit%20and%20Trade%20(PIWTT).pdf

Both prime ministers also emphasized the importance of seamless, multimodal connectivity to ensure regional economic development and people-to-people contact. They noted that roadways, railways, and waterways were the building blocks to an inter-dependent and mutually beneficial relationship among the countries of the region. The prime ministers agreed to commence negotiations on a Multi-Modal Transport Agreement between the two countries and constitute a joint task force for this purpose.

IMPLICATIONS FOR IPEC

The significant investment requirements in transport infrastructure and facilitation needed to improve intra-regional connectivity are beyond the scope of IPEC. However, IPEC could support important facilitation initiatives. New coastal shipping and inland waterway agreements open new opportunities for regional transport, and will relieve some pressure on India-Bangladesh land crossings. Greater regional rail cooperation should significantly reduce intra-regional transport costs. Plans to negotiate a multimodal transport agreement are an important step in this regard and may provide an opportunity for IPEC support. IPEC could also support improved inter-agency and cross-border coordination of border facilities and procedures. Exhibit 25 shows the potentiality of India-Bangladesh trade.

EXHIBIT 25. INDIA-BANGLADESH TRADE POTENTIALITY

Note: The blue triangles are Land Customs Stations and the green triangles are Border Haats
Source: CUTS, India-Bangladesh Trade Potentiality: An Assessment of Trade Facilitation Issues, April 2014, page 61.

REGIONAL STANDARDS AND CONFORMITY ASSESSMENT COOPERATION

Regional efforts to harmonize and coordinate quality infrastructure in South Asia have been slow. As discussed in Chapter 1 of this report, intra-SAARC trade is still very low, and few of the agricultural and commodity products traded between SAARC South Asian countries have been subject to onerous standards or technical regulations. While the United States has notified the World Trade Organization of 2,769 SPS measures, India has notified 109 measures, Sri Lanka has notified 37 measures, Nepal has notified 20 measures, and Bangladesh has notified zero measures up to the end of 2015.

Today, however, most industries and firms in the region compete with global producers meeting international standards. Consumers with rising levels of income are demanding products of higher quality. This is exemplified by the Indian Food Safety and Standards Act 2006 and the Food Safety and Standards Authority to enforce a new level of food-related standards that protect consumer safety using science-based standards and conformity assessment, promoting consistency with international standards.[48]

> Regional harmonization of standards is a useful first step toward a regional quality infrastructure

Regional harmonization of standards is a useful first step toward a regional quality infrastructure.[49] Customers know that a product subject to a harmonized standard will perform as expected, regardless of its country of origin. However, to minimize product cost, the parties should be able to rely on the quality-control system of the manufacturer or inspection by a third party to ensure the product complies with the harmonized standard. Therefore, conformity assessment bodies need to be credibly accredited.

The SAARC Standing Group on Standards, Quality Control, and Measurement was established in May 1998 and upgraded to a working group in 2010. The German national metrology institute – *Physikalisch-Technische Bundesanstalt* – has worked with the SAARC Secretariat to support national and regional quality infrastructure building since 2003. The 2006 Standards, Quality Control, and Measurement Action Plan allows SAARC members to share data and experts, develop common regional positions at international standards bodies, identify laboratories and list them on a website, and recognize national product certification programs. Members were also requested to identify a list of commonly traded products to be harmonized. In 2008, SAARC members agreed to establish SARSO; the agreement was ratified in 2011 and its director general was appointed in April 2014. So far, standards for eight products have been harmonized by national standards bodies.

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[48] Article 16 (3)(m) provides a function of the Authority is to "promote consistency between international technical standards and domestic food standards while ensuring that the level of protection adopted in the country is not reduced."

[49] Quality infrastructure relates to all fields of metrology, standardization, and testing of quality management and conformity assessment, including certification and accreditation.

SAARC member countries have agreed to harmonize standards of 29 commonly traded goods. This will ensure a common understanding of the quality requirements of these products among regional consumers. However, importing countries do not need to rely on certification from the country of origin stating that such products comply with the harmonized standard. Movement to enable mutual recognition of conformity assessment awaits full ratification of the regional accreditation agreement and more resources to strengthen the capacity and credibility of local conformity assessment bodies. In 2011, SAARC members signed the SAARC Agreement on Multilateral Arrangements for Recognition of Conformity Assessment (MARCA). MARCA establishes a conformity assessment board under SARSO that will approve conformity assessment bodies in each member state to provide another member state with testing and inspection reports for one or more products from a list of products (to be agreed upon by all members). Nepal has yet to ratify the agreement. Once in force, countries will have to agree on the list of products and approve the process for selecting conformity assessment bodies in each country.

SAARC member countries have agreed to harmonize standards of 29 commonly traded goods. This will ensure a common understanding of the quality requirements of these products among regional consumers.

Until MARCA is ratified and implemented, South Asian countries have approached mutual recognition slowly and bilaterally at the level of individual testing parameters. Following a 2007 memorandum of understanding with BIS, a bilateral cooperation agreement was signed with BIS in June 2015. So far, the parties have proposed 25 products for mutual recognition. However, there appears to have been no agreement yet on the list and the necessary testing parameters to be accredited.[50] Instead, BSTI has agreed to act as an agent of BIS by collecting samples and sending them to BIS laboratories in India; results would be available in seven days. In 2002, Sri Lanka SLSI agreed to accept the BIS and Export Inspection Council certification of a list of products, including 50 food products, while a 2006 mutual recognition agreement between BIS and SLSI has not been implemented. In addition to the issue of BIS and EIC recognition of the capacity of Bangladesh and Sri Lankan conformity assessment bodies (regardless of their level of international accreditation), mutual recognition is also necessary with state and local government authorities in India, which impose their own conformity assessment regimes.

The SASEC 2014-2018 Trade Facilitation Strategy highlights strengthening national conformity assessment and mutual recognition of key traded products bilaterally and through SARSO. The ADB and UNESCAP held a brainstorming meeting on SPS priorities and challenges in SASEC countries in November 2013. Burma and Sri Lanka also attended. Most countries reported a lack of appropriate technical knowledge of SPS/TBT issues; a lack of stakeholder awareness throughout the supply chain; financial and human resource constraints; inadequate infrastructure (testing/laboratory facilities); lack of fully functional accreditation bodies; and coordination and management issues across sectors, including data dissemination. The ADB

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[50] BSTI states that The Indian National Accreditation Board for Testing and Calibration of Laboratories (NABL) has accredited the Chemical Testing Wing laboratories of BSTI on 46 chemical and biological testing parameters. http://www.bsti.gov.bd/chemical_LaboratoryAccreditation.html

agreed to facilitate national diagnostic studies to identify sensitive traded products; review policy and practice; examine stakeholders' roles across the supply chain; and recommend capacity building measures and a database of SPS/TBT standards, legislation, and procedures. The ADB is now conducting the diagnostic studies and expects to establish a SASEC SPS/TBT subgroup by the end of 2016 to guide and coordinate regional cooperation.

CHAPTER FIVE

EXISTING MECHANISMS FOR PRIVATE SECTOR ADVOCACY AND PUBLIC-PRIVATE DIALOGUE

A number of private sector advocacy and public-private dialogue mechanisms already exist throughout the South Asia region, but their effectiveness varies and, in many cases, key stakeholder interests are not fully reflected. The development of a more effective framework for intra-regional trade, particularly to address NTBs, should ensure a systematic and harmonious approach to design, implement, coordinate, monitor, and evaluate advocacy initiatives by providing a common frame of reference and guidelines to multiple stakeholders: government agencies, businesses, development partners, media organizations, the private sector, and other relevant institutions.

The following subsections provide an overview of existing bodies and mechanisms for advocacy and dialogue at the regional and national levels, setting the context for interventions.

REGIONAL INITIATIVES

SAARC CHAMBER OF COMMERCE AND INDUSTRY

The SAARC Chamber of Commerce and Industry, which is officially recognized by all member governments of SAARC as the apex body of all national federations and chambers of industries in the SAARC region, was expected to play a role in creating space for consultation and consensus-building, and to serve as a "consultative body of the private sector of the region to provide input/feed-back on regional economic issues," including NTBs. It appears that its effectiveness has been undermined due to India's considerable position of power over the other SAARC members, and a lack of unity between India and Pakistan for multilateral solutions. The lack of effectiveness at the regional level has left a critical gap in moving forward on regional trade policy initiatives based on private sector inputs, including removing NTBs. However, with the recent enthusiasm shown by the new Indian administration toward regional integration — coupled with the Trade Directorate of the SAARC Secretariat currently being held by India — there is a window of opportunity to strengthen the Secretariat's reach in addressing pressing trade issues.

GIZ NTM DESKS

At the beginning of 2014, recognizing the growing tendency in SAARC countries to impose NTBs following a regional NTB report, GIZ helped establish SAARC NTM desks in each of the

South Asian countries.[51] The tasks of these NTM desks were designed to include the collection, identification, and monitoring of NTBs/NTMs to provide key inputs and support for policy advocacy at the national level, develop and implement annual country-specific operations plans for the NTM desk, and serve as a center to support the reduction and elimination of NTMs that hinder intra-regional trade. The NTB desks were established at leading chambers to create a sustainable mechanism. As part of the program, all NTM desk officers were to meet once a year at the SAARC headquarters to review the NTB program and evaluate its progress. So far, except in the Maldives, NTM desks were established in all SAARC countries at these main chambers:

1. Bangladesh – The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)
2. India – Federation of Indian Chambers of Commerce and Industry (FICCI)
3. Nepal – Confederation of Nepalese Industries
4. Sri Lanka – Federation of Chambers of Commerce and Industry of Sri Lanka

Field interviews were carried out under the IPEC II field assessment. It is not clear to what extent the NTM desks were able to fulfill the objectives set out at their inception (collect and monitor NTMs and NTBs, and provide a mechanism for effective policy advocacy). The interview with the SAARC NTB desk officer at FBCCI, for example, revealed that they reviewed land border posts recently and held a workshop with the minister of land port authority. In fact, in India, the leading private sector institutions working on regional trade, such as ICRIER, were not aware of the existence of the NTM desk at FICCI. In Sri Lanka, the Federation of Chambers of Commerce and Industry indicated its existence but did not indicate what duties it carried out. Field interviews suggest the lack of political buy-in and strong links to a policymaking apparatus have undermined the effectiveness of NTM desks, not to mention the inadequate secretarial facilities. From December 2013 to 2016, the GIZ support program to the SAARC-TPN continues to assist NTM desks to achieve their objectives by providing subsidies for selected activities, field visits, and expert costs. However, GIZ is discontinuing funding for the SAARC TPN in 2017, as members have decided that the TPN program should be taken over by the SAARC Chamber of Commerce and Industry, with the desks continuing to be hosted by national chambers.

EXISTING ADVOCACY AND PUBLIC-PRIVATE DIALOGUE MECHANISMS IN BANGLADESH

At present, there is no robust public-private policy advocacy group on regional trade or NTBs in Bangladesh. The information and data on NTBs are relatively weak. However, there are two organized stakeholder mechanisms that could potentially fulfill these roles. The first is the existing stakeholder consultative framework under SAFTA and bilateral intergovernmental

[51] http://www.saarctrade.info/pubs/saarctpnpubs/NTM%20report_SAARC_TPN.pdf

meetings under the Ministry of Commerce, the lead ministry responsible for developing export and import policies, including protocols, treaties, agreements, and conventions. The inter-agency committees for regional trade negotiations consist of the Office of the Chief Controller of Imports and Exports in charge of the formulation and implementation of the Import Policy Order, including the issuance of import permits and clearance permits (see Exhibits 26 and 27). There are a number of key private sector chambers and sector associations, such as FBCCI, and DCCI, and think tanks that frequently interact with the Ministry of Commerce on NTBs at the preparatory stage before inter-agency committee proceedings. Although private sector interest is fed into inter-agency meetings subsequent to the inter-government negotiations, the SAFTA framework has not resulted in the removal of NTBs, for reasons discussed above.

On domestic NTBs, a second platform, a joint initiative of the Dhaka Chamber of Commerce and Industry (DCCI), the Metropolitan Chamber of Commerce and Industry (MCCI), and the SME Foundation — called Business Initiative Leading Development (BUILD) — supported by the IFC was established as the first research-backed and evidence-based public-private dialogue platform in Bangladesh. Working through four thematic working committees on financial sector development, SME development, trade and investment, and taxation, BUILD is a public-private dialogue platform designed to address key constraints, including regulatory issues impeding the growth of the private sector. The Trade and Investment Working Group, co-chaired by the secretary of the Ministry of Commerce and the vice president of MCCI, is expected to investigate trade and investment regulatory issues and develop recommendations, which are validated with other relevant agencies and the private sector before being placed in front of working committees. Thus far, the BUILD program has resolved a number of regulatory issues, including bonded warehouse license issuance simplification, import and export registration certificate issuance, and renewal simplification. However, few regulatory NTBs in Bangladesh have been taken up for discussion and resolution.

EXHIBIT 26. EXISTING PUBLIC-PRIVATE DIALOGUE FRAMEWORK FOR REGIONAL TRADE NEGOTIATIONS IN BANGLADESH

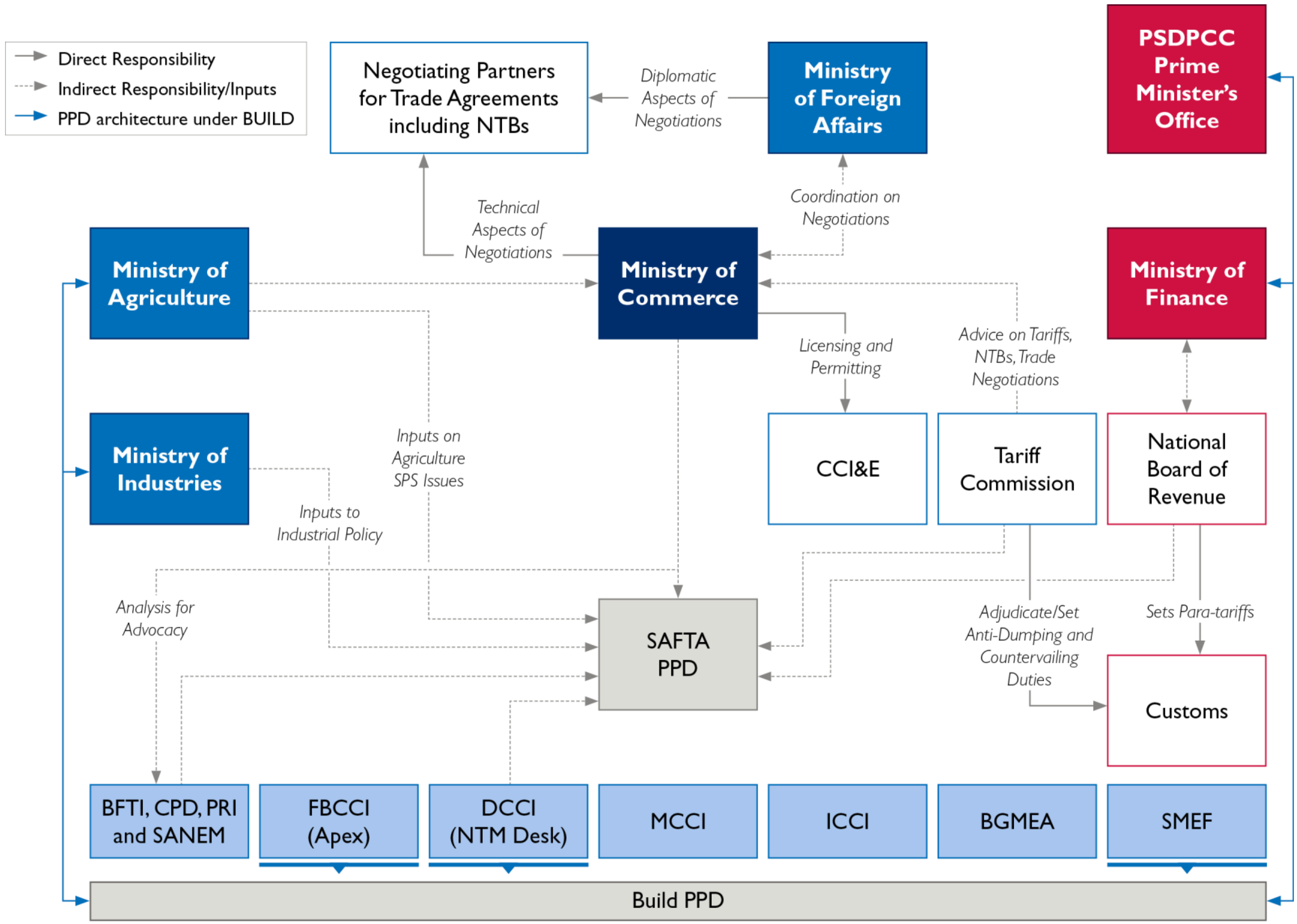
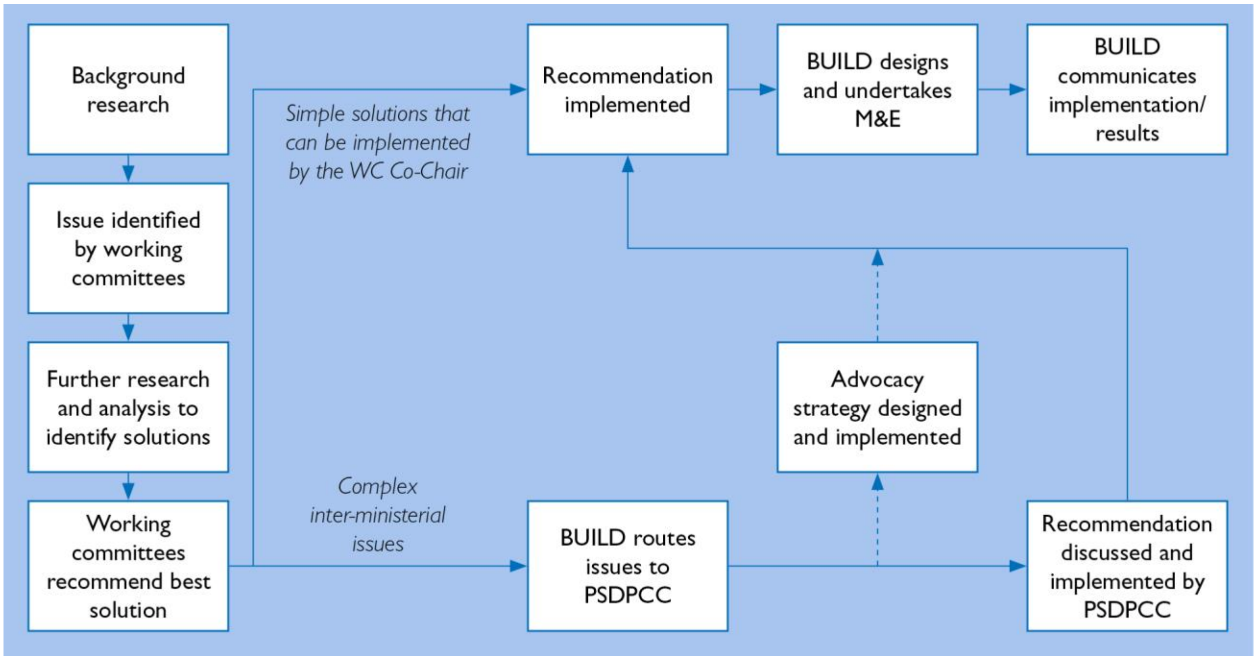


EXHIBIT 27. REFORM ARCHITECTURE OF BUILD



EXISTING ADVOCACY AND DIALOGUE MECHANISMS IN SRI LANKA

Currently, there is no public private dialogue (PPD) framework dedicated to NTBs in Sri Lanka. NTB issues are taken up via existing regional and bilateral negotiating forums. The Department of Commerce in Sri Lanka is the lead institution spearheading the public sector on NTB issues, along with the Ministry of Finance (Revenue Department). The Department of Commerce is headed by the director general of commerce, and its functions are carried out by four divisions: multilateral trade affairs, bilateral trade relations, regional cooperation, and trade promotion. The Policy Development Division, Ministry of Industry, and Department of Commerce are also engaged in analyzing the impact of bilateral and multilateral trade and making recommendations to the National Council for Economic Development. The other key ministries engaged in regional and bilateral trade and regulatory issues include the Export Development Board, the Ministry of Agriculture, the Board of Investment, Customs, and depending on the context, the Tea Board and the Coconut Development Authority. When domestic NT issues are discussed, the Health Ministry and Sri Lanka Standards Institute tend to take part in the inter-agency proceedings.

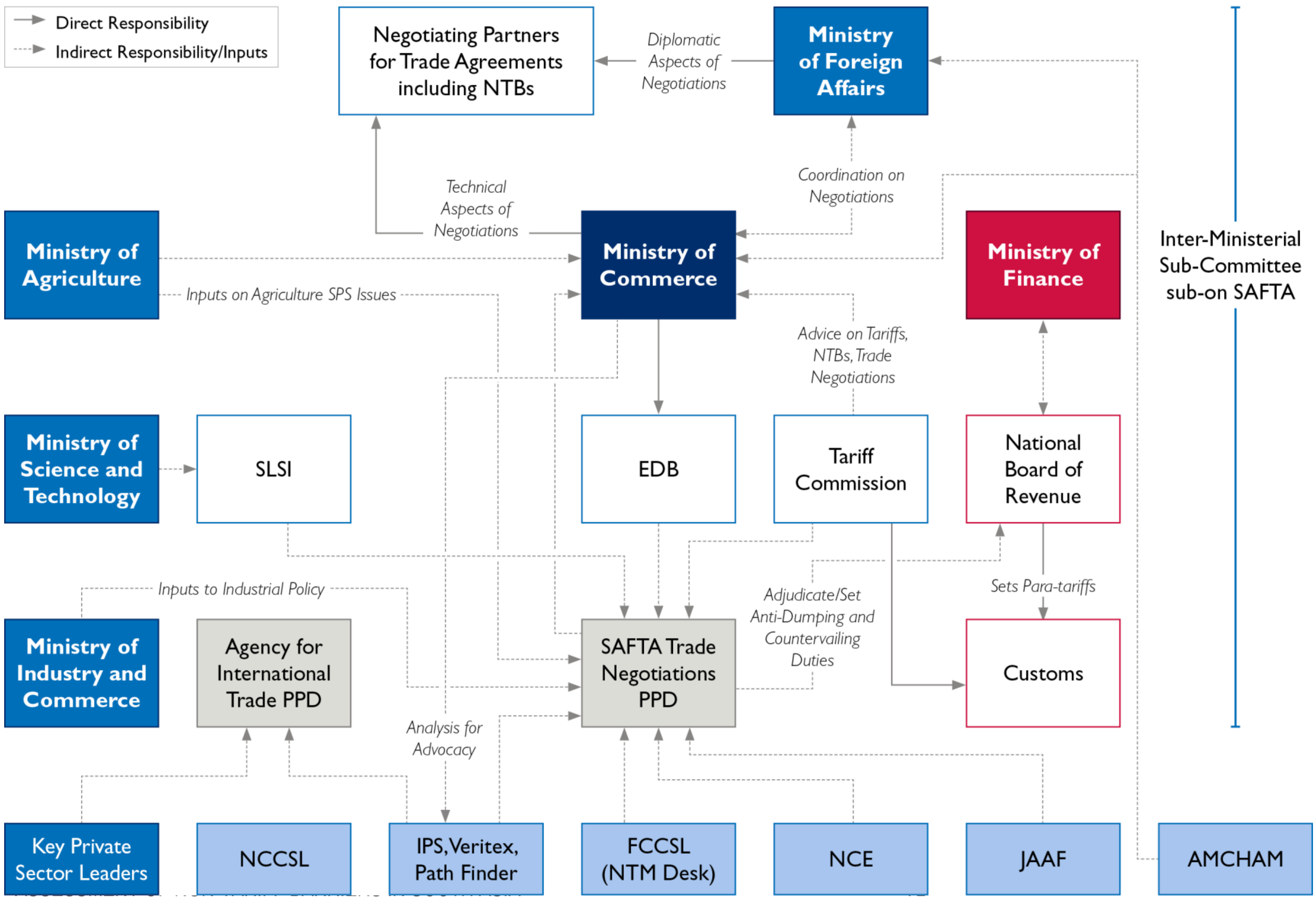
Private sector engagement is led by the Federation of Chambers of Commerce and Industry of Sri Lanka, the National Chamber of Commerce of Sri Lanka, and the National Chamber of Exporters of Sri Lanka. Besides the leading chambers, the American Chamber of Commerce of Sri Lanka and a number of sector associations, such as the Joint Apparel Association Forum, take pivotal roles in regional and bilateral trade negotiations.

The current public-private dialogue on bilateral and regional trade negotiations (see Exhibit 28) is carried out at two levels. The first level is the under the chairmanship of the secretary to the MOC. The agenda on trade issues, including NTBs, are taken up among the chambers, the EDB, and other sector associations. The findings and recommendations are fed into an inter-ministerial sub-committee, consisting of primarily public sector stakeholders, which includes the EDB representing the private sector. The progress on resolving NTBs through the inter-governmental negotiations, including under Indo-Sri Lanka FTA, has been muted, partially due to a lack of enthusiasm by the previous regime in Sri Lanka.

As a response to the renewed optimism generated by the new Indian government, at the beginning of 2016, Sri Lanka established the Agency for International Trade, a public-private dialogue framework dedicated to negotiating bilateral agreements, such as the ETCA with India. The agreement is negotiated at the commerce secretary level, but is spearheaded by a new public-private dialogue called "Agency for International Trade," which consists of key ministries and a core group of private sector actors, some of whom are leaders of industries.

The first bilateral meeting for ETCA recently concluded, featuring some of the key NTB issues of interest to Sri Lanka. At the ETCA meeting, the government of Sri Lanka requested that the Indian government address the most binding NTBs before it continues to negotiate the ETCA. Resolution of these NTBs would be regarded as an "early harvest" for greater coverage of sectors and issues in the future. Examples of the NTBs include countervailing duties on packaged products, such as soap and garments; anti-dumping duties on medium density fiberboard; inconsistent testing by different labs; and penalties imposed on various products, such as biscuits.

EXHIBIT 28. EXISTING PUBLIC-PRIVATE DIALOGUE FRAMEWORK FOR REGIONAL TRADE NEGOTIATIONS IN SRI LANKA



Under ETCA, the two parties also discussed signing mutual recognition agreements on standards. Moreover, the Indian side organized workshops in Sri Lanka for Sri Lankan exporters/officials to increase the awareness of Indian standards, regulations, certificates of origin, and other measures in January and February 2016.

On trade facilitation, the Sri Lanka Ports Authority and the ADB signed a transaction advisory services agreement on February 23, 2016, to upgrade Colombo Port's East Container Terminal. The project is expected to bring leading operations and technology from the private sector to improve the port's value proposition to global shipping lines and increase its market share in the global trans-shipment market. Under this initiative, the ADB provides transaction advisory services to support the range of activities associated with the development and implementation of public-private partnership projects, including project conceptualization, preparation and marketing, and negotiations. It is supervised by the ADB's Office of Public- Private Partnership, established in September 2014, to enhance the ADB's role in enabling member governments to secure private investment and generate economic growth in the region.[52]

EXISTING ADVOCACY AND DIALOGUE MECHANISMS IN INDIA

Despite plentiful evidence and a strong base for policy advocacy on regional trade issues, there is no active public-private dialogue framework to address NTBs in India (see Exhibit 29). There is an active presence of think tanks that publish regular research on regional trade issues, including NTBs, and a private sector that organizes formal and informal meetings with policymakers in India on regional trade issues. However, these groups have not created active reform-oriented forums. On an opposing spectrum, Indian lobbyists, operating at the state level like the areca nut lobby in Kerala, have routinely demonstrated their ability to lobby for protection from regional imports.

The breadth of public sector actors related to NTBs makes advocacy and dialogue a complex task. For example, on SPS alone, India has a complex set of institutions that administer animal and plant health. The Food Safety and Standards Authority of India (FSSAI) is mandated to establish standards for articles of food and to regulate their manufacture, storage, distribution, sale, and import to ensure availability of safe and wholesome food for human consumption. It also contributes to the development of international technical standards for food, sanitary, and phytosanitary standards. Other main institutions involved in SPS measures are the Ministry of Health and Family Welfare; the Department of Animal Husbandry, Dairying, and Fisheries in the Ministry of Agriculture; the Directorate of Plant Protection, Quarantine, and Storage in the Ministry of Agriculture; the BIS; and other state government agencies. India's national enquiry points under the World Trade Organization's SPS Agreement are the Department of Animal Husbandry, Dairying, and Fisheries for animal health issues; the Ministry of Health and Family Welfare for food safety issues; and the Department of Agriculture and Cooperation for plant

[52] See more information about their activities at http://www.adb.org/publications/office-of-public-private-partnership-flyer.

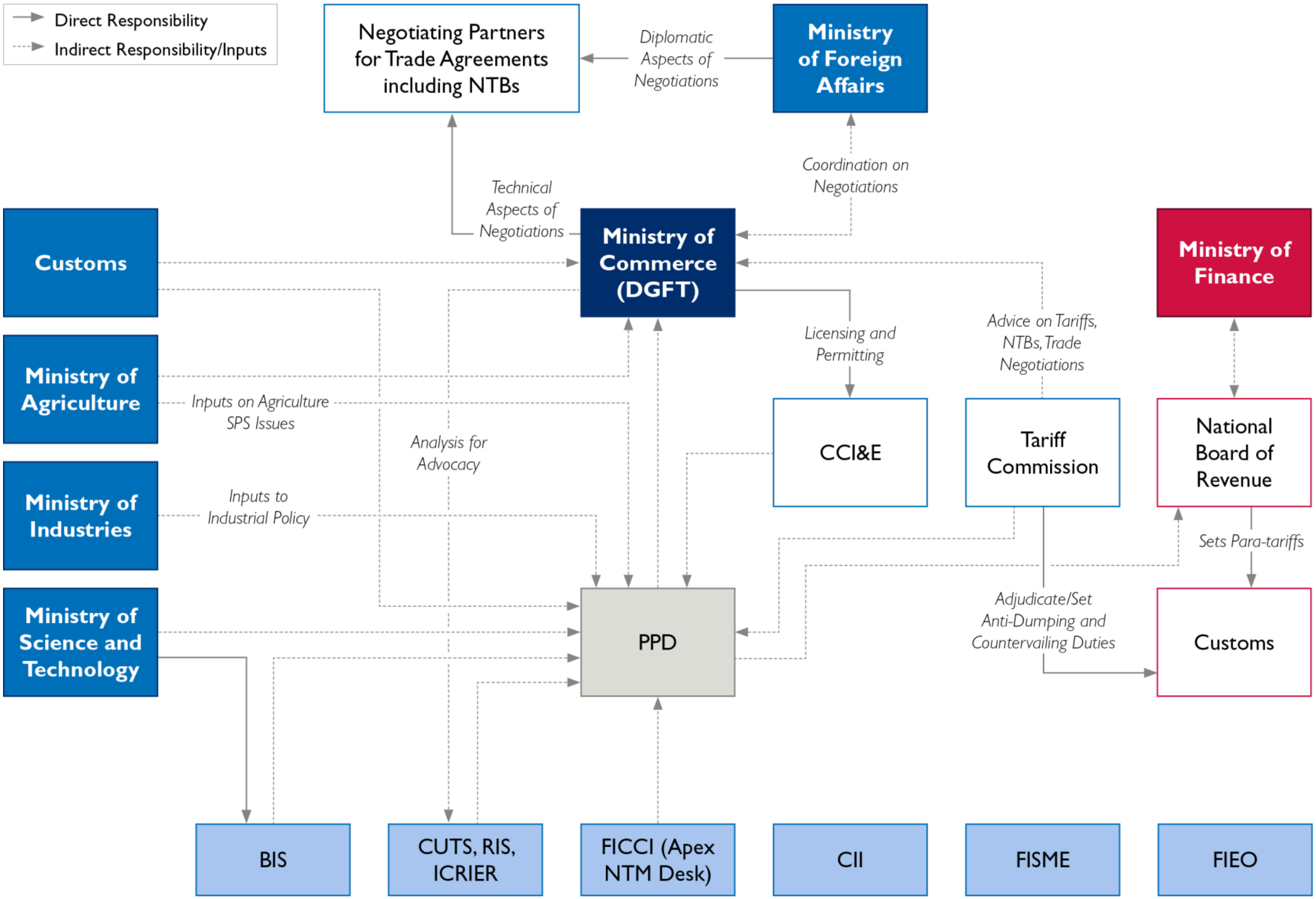
health or phytosanitary issues. Between 2011 and 2014, India made 23 notifications to the WTO Committee on SPS measures.

The private sector apparatus in India consists of the FICCI, the apex business organization and host of the SAARC NTM desk. Meanwhile, the CII is India's premier business association, with more than 7,900 members from the private and public sectors, including SMEs, and has become a focal point for more liberal consensus-building on regional trade, working with the government on policy issues and interfacing with thought leaders. Besides these, the Federation of Indian Micro and Small and Medium Enterprises and the Federation of Indian Export Organizations represent the Indian industry on trade issues.

In the case of NTMs in India, which importers in the country face, policy advocacy is taken up at different ministries and affiliated organizations depending on the nature of the NTMs. For example, tariff and para-tariff issues are dealt with by the Department of Commerce and the Ministry of Finance. Other forms of SPS and TBT issues are addressed by the BIS, Standardization Testing and Quality Certification Directorate, Food Safety and Standards Authority of India, and the Directorate of Plant Protection Quarantine and Storage. For infrastructural issues at the land custom station, India's Land Ports Authority is part of the public-private dialogue.

Our interviews indicated that FICCI, which hosts the NTM desk and is expected to collect, monitor, and advocate for the removal of domestic NTBs, has weak representation in practice. Advocacy efforts in India are more proactively pursued by think tanks, such as CUTS, Research and Information Systems, and the ICRIER. Meanwhile, our interviews and interactions with World Bank indicated that CII is providing key reach with business associations and policymakers, and if it is supported by a think tank like CUTS, it is likely to be the most influential private sector body supporting the regional trade and NTB agenda with evidenced-based advocacy.

EXHIBIT 29. EXISTING PUBLIC-PRIVATE DIALOGUE FRAMEWORK FOR REGIONAL TRADE NEGOTIATIONS IN INDIA



EXISTING ADVOCACY AND DIALOGUE MECHANISMS IN NEPAL

As in the other three countries, the Federation of Nepalese Chambers of Commerce and Industry is the focal point in regional and multilateral trade issues, and has an inter-agency consulting apparatus that facilitates public-private consultation dedicated to negotiations under SAFTA.

There are several chambers in Nepal — the Federation of Nepal Cottage and Small Industries, Confederation of Nepalese Industries, and Nepal Chamber of Commerce — that routinely engage the public sector in addressing NTBs. Key advocacy efforts in recent years have stemmed from the think tank South Asia Watch on Trade, Economics, and Environment (SAWTEE). SAWTEE has produced evidence-based policy advocacy reports related to NTBs, such as the "Agriculture Trade in South Asia: Barriers and Prospects" (http://www.sawtee.org/research_reports/r2012-05.pdf).

> Similar to BUILD in Bangladesh, the Nepal Business Forum objectives include accelerating and facilitating reforms in areas like tax administration, trade logistics, export promotion, investment facilitation, access to finance, and energy.

SAWTEE has meanwhile undertaken many initiatives, including identifying trade- and transport-related bottlenecks in the region and estimating the required investment, often in collaboration with institutions like the CPD in Bangladesh, CUTS International in India; Sustainable Development Policy Institute in Pakistan, and IPS of Sri Lanka. This work includes a project to conduct a trade and transport facilitation audit in select South Asian countries. In addition, in 2008, the International Finance Corporation's South Asia Enterprise Development Facility, with funding from DfID and the Norwegian Agency for Development Cooperation (NORAD), launched an investment climate reform program to bring stakeholders together and mobilize political will to prioritize the implementation of private sector development reforms. One of the means for achieving this aim was establishing the Nepal Business Forum (NBF), bringing together the government and the private sector apex business membership organizations above. Similar to BUILD in Bangladesh, the NBF objectives include accelerating and facilitating reforms in areas like tax administration, trade logistics, export promotion, investment facilitation, access to finance, and energy. The NBF operates through nine working groups. To date, NBF's recommendations have been implemented and yielded substantial benefits for private sector development, including facilitating trade and improving market opportunities.

A Bangladesh-Nepal bilateral forum has been formulated with the intent of bringing together the two governments, the private sector, university scholars; businesspeople, and youth to brainstorm unexplored opportunities for enhancing economic and trade relations between the countries, as well as between their respective regions.

EXISTING CUSTOMS AND TRADE FACILITATION ADVOCACY AND DIALOGUE MECHANISMS IN SOUTH ASIA

Improving coordination among various stakeholders in trade facilitation is a significant challenge. Trade facilitation comprises a complex set of functions involving multiple ministries and agencies, including finance, immigration, commerce, customs, transport, communications, and internal and external affairs, as well as private stakeholders (e.g., traders, carriers and forwarders, shipping agents, banks, insurance companies, and other service providers). The absence of effective consultation mechanisms at the national level has affected the degree of stakeholder cooperation and effective implementation of various initiatives. Poor coordination among agencies operating at the border has also resulted in duplication of functions, adding to the delays caused by already-cumbersome procedures.[53] UNCTAD and the ITC have been working with countries to establish national trade facilitation committees over the past four decades. About 50 countries have established NTFCs to date.

NTFC is providing impetus for effective trade facilitation PPDs. Governments around the world are preparing to implement the World Trade Organization's Trade Facilitation Agreement, a key outcome of the 9th Ministerial Conference in Bali in December 2013. Implementation of the agreement will make an important contribution to improving a country's business and trade environment. Simplifying customs, border procedures, and related documentation speeds up the movement of goods across borders, reduces trade transaction costs, and improves predictability in delivery time. These issues are critical to efficient global value chains and integrating countries into regions and the rest of the world. To make them work, public-private sector cooperation is an inherent function of any NTFC, ensuring the NTFC agenda meets traders' requirements and instills a reality check for the NTFC.

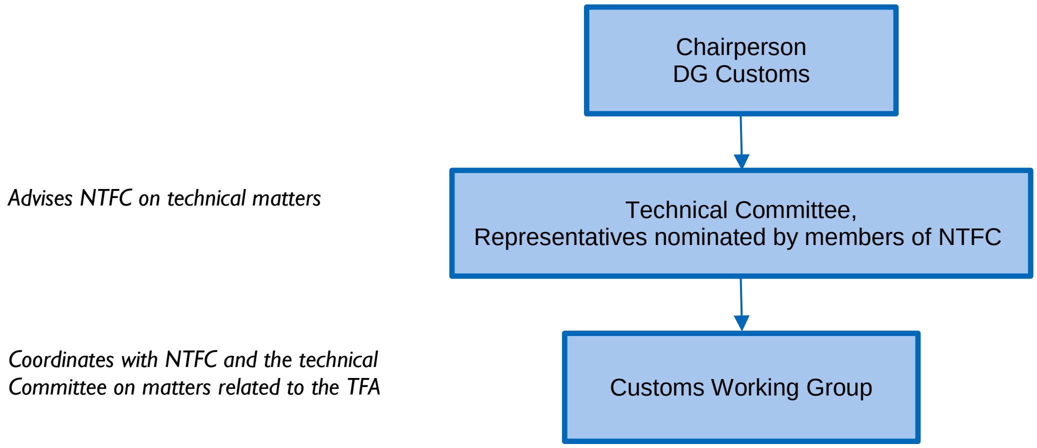
Bangladesh NTFC PPD. Immediately following the TFA, established in December 2013, Bangladesh formed an interim NTFC, comprising stakeholders from the public and private sectors with customs as the chair. The private sector had comprehensive representation that included MCCI, DCCI, FBCCI, BGMEA; Knitwear Manufacturers and Exporters Association; Centre for Policy Dialogue; Bangladesh Economic Association and BUILD, as well as Dhaka/Chittagong/Benapole/Mongla container agents and freight forwarders, shipping agents associations, and Bangladesh cargo vessel owners associations. It initially held two meetings in 2013 to address issues related to trade facilitation. The committee also attended a workshop in Nepal in October 2013. The workshop was organized by the ADB under the South Asian Sub-Regional Economic Cooperation (SASEC) program. However, since the TFA launched in 2014, an ongoing disagreement on where the permanent NTFC steering committee needs to reside in Bangladesh has stalled its progress and delayed articulating Bangladesh's position and strategy on various negotiating issues. Stakeholders in Bangladesh also indicated the level of mistrust between the private and public sector representatives on the NTFC is contributing to this delay. The World Bank is taking steps to expedite setting up the NTFC committee to complete Bangladesh's obligations.

Sri Lanka NTFC PPD. Sri Lanka was in the forefront of implementing trade facilitation in Asia (see Exhibit 30). It was the first to appoint a National Trade Facilitation Committee in the 1980s to bring trade and transport facilitation documents in line with the United Nations. Continuing with this spirit, Sri Lanka established the NTFC in June 2014 with a mandate for identifying Category B and C commitments to be notified to the World Trade Organization. The committee is co-chaired by the director general of Customs and the director general of the Ministry of Commerce. Its membership includes the National Chamber of Commerce

[53] ADB SASEC Trade Facilitation Strategy 2014-2018

representing the private sector. However, the committee has been revamped and now also includes 13 members of key border agencies, and private sector representation is primarily led by the Export Development Board and the chambers. They are represented at the technical committee by think tanks and at the working group level.

EXHIBIT 30. ORGANIZATIONAL STRUCTURE OF NTFC IN SRI LANKA



Source: UNESCAP (2015)

Elsewhere in the region, the cabinet approved India's membership in the TFA in February 2016 and is establishing the NTFC with co-chairs of commerce and customs and state-level committees. The Nepalese NTFC has the most experience and is the most active. It was formed under the Nepal Business Forum, supported by the International Finance Corporation, and has 12 public and three private sector members. It has already achieved several reforms, including coordination of working hours with India, reduction of customs fees, and simplification of procedures. The NTFCs are dominated by public agencies represented at a senior level. In Sri Lanka, 10 public sector members are joined by the Sri Lanka Chamber of Commerce and Ceylon Chamber of Commerce. Bangladesh has 40 public and private sector members, which likely puts significant pressure on the efficient management and decision-making in the committee.

EXISTING ADVOCACY AND DIALOGUE MECHANISMS UNDER THE INDO-PACIFIC CORRIDOR

In addition to intra-regional efforts, there are efforts to forge dialogue between South and South East Asia through the Indo-Pacific Corridor. There are three pathways that have given rise to the need for public-private dialogue space between South Asia and South East Asian countries: the multilateral arrangement under BIMSTEC, the bilateral trade and economic agreement between India and East Asian countries, and the multilateral framework, such as the TFA. The bilateral agreements between India and a number of countries are the only arrangements thus far that have provided impetus for mobilization of public-private dialogue on the trade facilitation agenda.

ASEAN and India have recently taken steps toward enhancing private sector engagement, including the re-activation of the ASEAN-India Business Council, the holding of the first ASEAN-India Business Summit, and an ASEAN-India Business Fair and Conclave held in New Delhi in March 2011. The second business fair was held at the sidelines of the ASEAN-India Commemorative Summit in New Delhi in December 2012. These events were part of an effort to stimulate trade and business-to-business interaction. In November 2013, the Ministry of Foreign Affairs, in coordination with the governments of Japan and India, organized a symposium titled "Towards Realization of ASEAN Connectivity Plus: Moving Forward with ASEAN-India Connectivity," with 180 participants from public and private agencies.

In June 2015, in a major bid to strengthen sub-regional cooperation, four SAARC permanent members — Bangladesh, Bhutan, India, and Nepal — signed the historic Motor Vehicle Agreement for the "regulation of passenger, personal, and cargo vehicular traffic" among them. This will usher in significant trade and transport, facilitate cross-border trade, and pave the way for linking the two sub-continents. Implementing protocols are being negotiated by member states to administer insurance, guarantees, vehicle specifications, routes, and permits.

BILATERAL ADVOCACY AND DIALOGUE MECHANISMS

There are bilateral chambers of commerce and industry between India and Bangladesh, Malaysia, Burma, Singapore, Sri Lanka, Thailand, and Vietnam, according to the Indian Ministry of Commerce.[54] Moreover, local chambers are forming cross-border relationships via memoranda of understanding; for example, the West Bengal Chamber of Commerce recently signed a memorandum of understanding with the Chittagong Chamber of Commerce. These bilateral chamber relationships focus on trade and investment opportunities, rather than advocating policy reform.

As discussed earlier, governments have developed formal bilateral trade relationships. In particular, the governments of India and Burma have entered into a number of bilateral mechanisms to enhance trade and investment, including the National Level Meeting, Sectoral Level Meeting, and the Joint Trade Committee chaired by each commerce minister since 2003. The first meeting of the India-Burma Joint Consultative Commission took place in July 2015, led by each minister of Foreign Affairs.

[54] http://commerce.nic.in/aboutus/Bi_Chambers%20_Trade.pdf?id=15

CHAPTER SIX

RECOMMENDATIONS

RECOMMENDATIONS FOR ADDDRESSING NTBs

Despite being the world's largest market and having direct channels for connectivity, South Asia is the least connected region in the world. Although traditional policy barriers like tariffs have been gradually dismantled, the pervasive use of NTBs has deterred opportunities for mutually beneficial trade and investment between SAARC countries, while depriving the poor of a sustainable market opportunity. Although NTMs imposed by South Asian countries have a regulatory objective genuine in its application for safeguarding human health, plant safety, national security, and consumer protection, some have been characterized as unfair and discriminatory, hence becoming regarded as an NTB. It is thus a prerequisite for South Asia to have a framework to better address NTBs, including mechanisms for reporting and responding to NTBs, as well as to provide a basis for evidence-based advocacy and dialogue (as successfully adopted by other regions).

At the country level, the NTB resolution agenda may be viewed first as a domestic issue, part of a regulatory-improvement agenda driven by a concern for enhanced competitiveness, rather than as a concession to trading partners. This is the perspective taken by countries that have successfully adopted ambitious regulatory reform agendas, such as Korea or Mexico (Cadot, 2012). The partner country NTBs that effect exports must also be brought into a formal process. Both dimensions require public-private dialogue as a central tenet in resolving NTBs in South Asia. Shown below are key actionable recommendations based on our needs review. Generally, the recommendations include one or more of the following: technical assistance, capacity building, grants (e.g., to private sector associations or think tanks to prepare white papers), and using USAID's convening power to bring key private sector parties (especially U.S. investors) to the table to engage in public-private dialogue. A detailed activity matrix – including country-specific activities, potential partners, and estimated budgets – is provided in Annex B.

There should be a two-tiered strategy to address NTBs. First, support the development of a comprehensive and inclusive framework for identifying, resolving, and monitoring NTBs. In particular, USAID can support the development of a system for NTB reporting, monitoring, and advocacy, which is not on other donors' radar as it is not their comparative advantage. Second, tackle specific interventions to address the high-priority NTBs identified in this report.

DEVELOP A SYSTEMATIC FRAMEWORK FOR ADDRESSING NTBS

USAID can support the development of a more systematic framework for addressing NTBs through a number of measures. NTB are like weeds — you pull one out, and another is likely to grow, requiring a systematic approach to identify, prioritize, remove, and monitor their occurrence in a way that is inclusive and transparent and promotes accountability. Such a system provides robust proof and tracking of NTBs and their resolution, and as evidenced from Africa's Tripartite Framework, is the most profound basis for advocacy efforts targeting policymakers.

USAID could take the initiative to support the regional NTM agenda by organizing a workshop to design policy objectives and operational architecture for a new regional NTM desk hosted at SAARC Secretariat or the SCCI. There is an opportunity to collaborate with GIZ NTM desks to provide systematic, real-time, more inclusive data on NTMs. This needs to include an awareness building/outreach component to ensure that the system is accessible to all traders, big and small.

SUCCESS OF WEB PORTAL IN NTB RESOLUTION

A Tripartite Mechanism on Non-Tariff Barrier (involving COMESA, the EAC, and SADC (MNTB) established with donor support, allowed traders and transporters to notify a central coordination body of the presence of NTBs, which subsequently can be addressed through the relevant institutional mechanism. Under the MNTB each country established a national monitoring committee (NMC) mandated to carry out the collection and monitoring of NTMs. To date, 74.6% of all reported NTBs from several COMESA, EAC, and SADC countries have reportedly been addressed through this mechanism. In this context, Tripartite NTB the online web-based database enhanced transparency and easy follow-up of reported and identified NTBs and NTMs.

Similarly, in consultation with the CEFTA Secretariat and trade experts, OECD developed a Multilateral Monitoring Framework (MMF), composed of sets of indicators for each of the key NTB areas, with the aim of establishing an instrument for the coordination of actions for the elimination of NTBs at a multilateral level, complementing the actions already taken by the parties at the bilateral level.

USAID should also coordinate with DfID to explore seed funding to establish a web-based NTM reporting mechanism. As a best practice, the first step under this process would be to support an NTM and reporting-monitoring mechanism with a web portal, successfully implemented under Africa's Tripartite Mechanism (see box above). In the short-term, it is recommended that the portal be hosted by the SAARC Secretariat and, if the regional NTM desk is eventually established at SCCI by GIZ, responsibility for the portal could be transferred to SCCI. The trade portal can leverage existing NTM desks where they exist/have capacity and leading chambers/associations with capacity/experience in advocacy (CII in India, Trade and Development Council in Sri Lanka, BUILD in Bangladesh, and the Nepal Business Forum). Their main role would be to build awareness of the mechanism, advocate for reforms, and represent their members in public-private dialogue.

BENEFITS OF A PORTAL

Benefits of a web portal mechanism include:

- Evidence gathering capability
- Transparency
- Broad reach to those who would not otherwise have a voice
- Name/shame and accountability fostered in government

Launch of RECP/ASEAN+6 (India, China, etc.), and agreement on a public sector, time-bound process to address to NTMs can be leveraged to promote a similar undertaking through SAFTA to complement the portal with greater government accountability and responsiveness.

IMPROVE SPS/TBT AND CONFORMITY ASSESSMENT

SBS/TBT measures and their conformity assessment place undue burdens on traders of certain products across South Asia. Governments, donors, and SARSO are seeking to harmonize standards, strengthen national conformity assessments, and promote mutual recognition as a means of helping traders overcome the standards barrier.

It is, therefore, recommended that IPEC support this work through the following activities:

Support SARSO in developing rules for the conformity assessment board and its technical committees to prepare for implementing the SAARC Agreement on Multilateral Arrangement of Conformity Assessment by providing a short-term technical advisor in Dhaka for one month.

Support SARSO and SASEC to understand Nepal's concerns with MARCA and develop a program to address its concerns and facilitate implementation of the agreement. This would involve a USAID official attending a meeting in Kathmandu with the Nepalese standards and accreditation authorities to determine if ratification is delayed due to parliamentary procedure or due to uncertainty over the impact of MARCA. USAID could then offer short-term technical assistance to analyze the situation and advise the authorities.

Using local consultants, map and describe the location and capacity of all conformity assessment and accreditation bodies by sector and border crossing against the certification requirements of the most commonly traded products within SASEC.

Support the ADB to convene and establish the SASEC SPS/TBT Subgroup through one or more events, for example, by hosting a deep dive for a regional audience on the findings of the SPS Country Diagnostic Studies. USAID could present the Conformity Assessment Board (CAB) mapping study results.

In addition, USAID could reach out to the following U.S. government agencies for co-funding and short-term technical assistance for SPS/TBT initiatives:

- The USAID/ANSI Standards Alliance work in ASEAN using experts from ANSI member organizations to deliver training sessions and facilitate technical exchanges.
- The U.S Department of Commerce Total Economic Engagement Program technical assistance and capacity building to advance a more collaborative and open standardization and regulatory process.
- The U.S. Department of Commerce standards cooperation work under the ASEAN Consultative Committee on Standards and Quality, funded by USAID. The focus is on sectors that appear on ASEAN's list of 12 priority sectors and in the U.S. National Export Strategy.

PROMOTE THE ELIMINATION OF PARA-TARIFFS

A number of countries in South Asia have circumvented World Trade Organization discipline by imposing other import taxes without altering their most favored nation schedules (customs duty rates). These import taxes come in many forms, including levies, surcharges, and fees imposed on imported goods. Imposed only on imports, in the absence of a domestic equivalent, these taxes have principally served to protect domestic industries, significantly increasing their protection. Sri Lanka has initiated an assessment of para-tariffs on regional trade with support from the International Finance Corporation and the World Bank.

USAID should support a similar effort in Bangladesh by commissioning an expert to conduct an analysis, with the aim of providing policy options for their elimination.

FACILITATE ACCESS TO TRADE INFORMATION

Stakeholder interviews indicated that one of the critical weaknesses for trading in the region is the lack of a coherent central information repository of laws and regulatory and procedural requirements for importing and exporting. A number of countries have introduced a trade information portal as a means of delivering engaging, fast, reliable, high-quality, and up-to-date trade information, including regulatory requirements and related services. India has a trade portal, while Bangladesh just launched a trade portal supported by the International Finance Corporation. Meanwhile, Nepal and Sri Lanka have expressed an interest. Trade portals will also help comply with the World Trade Organization's Article 1 of trade facilitation.

To facilitate the process, USAID should support a workshop in each country (India, Nepal, and Bangladesh, inviting all public and private stakeholders. The workshop agenda should be geared toward communicating the efficacy of the portal and securing buy-in from stakeholders, which includes other donors. The organization of the workshop should be delegated to CII (India), Ceylon Chamber (Sri Lanka), and the Nepal Business Forum (Nepal), respectively. Second, USAID should initiate discussions with the International Finance Corporation, the World Bank, and the ADB to support the development of the web portal in Sri Lanka and Nepal and refine the existing portal in India.

OTHER POLICY-ORIENTED NTB MEASURES

In addition to the above restriction, a number of countries in the regions impose other NTB measures that inhibit trade, including port restrictions, import licensing, countervailing duties, anti-dumping duties, and export prohibition, which limits regional imports and exports.

At the first level, USAID can support a number of white papers targeted at the public sector to discuss shortlisted NTBs, SPS/TBT, port restrictions, and policy barriers through a domestic reform champion, such as CII in India. The white papers would be aimed at the public sector to secure their buy-in.

The second stage is to support robust, regional public-private dialogue through a regional workshop or seminar, presenting the findings of the white papers as well as research by other groups like CUTS, SANEM, and IPS.

RECOMMENDATIONS FOR ADDRESSING CUSTOMS AND TRADE FACILITATION

NTFC STRATEGIC PLANNING (REGIONAL)

Given the level of mistrust expressed by some commentators between the public and private sector members of NTFCs, dominance by customs officials, and likely frustrations trying to plan such wide-ranging reforms, we recommend that:

USAID hosts an event with NTFC representatives from across South Asia and ASEAN to share experiences and lessons for planning and implementing trade facilitation reform in their countries and regionally. ICRIER has offered to host such an event for the Indian NTFC, and further funding could be provided to invite up to two NTFC representatives from each country in South Asia, as well as Myanmar and Thailand. The event could be convened by the SASEC Trade and Transport Facilitation Working Group.

RISK MANAGEMENT AWARENESS RAISING AND TRAINING (REGIONAL)

Risk management is still perceived to be unnecessary and ineffective by many border agencies, including some customs officials. Some agencies, particularly SPS and food safety agencies, including Sri Lanka's SLSI, have a stated policy of 100 percent inspection. The evidence of the lower cost and greater effectiveness of risk-based selectivity is overwhelming.

It is recommended for USAID to arrange a risk management workshop in Dhaka, potentially hosted by the Trade Facilitation Project or by a chamber, for border agency representatives and risk management experts to discuss this evidence and increase awareness of risk management.

SINGLE WINDOW PLANNING AND BEST PRACTICES CONFERENCE (REGIONAL)

Apart from India, countries are struggling to plan and coordinate their single window implementation. Interagency coordination and harmonization of data requirements and risk management are the most compelling concerns for participating agencies.

It is recommended that USAID arranges a single window best practices conference for officials from border agencies in India, Bangladesh, Nepal, and Sri Lanka. Experts from ASEAN countries could be invited to present on operational and technical issues.

RECOMMENDATIONS ON THE REGIONAL PUBLIC-PRIVATE DIALOGUE BORDERLESS ALLANCE

EFFICACY OF A PILOT BORDERLESS ALLIANCE MODEL IN SOUTH ASIA

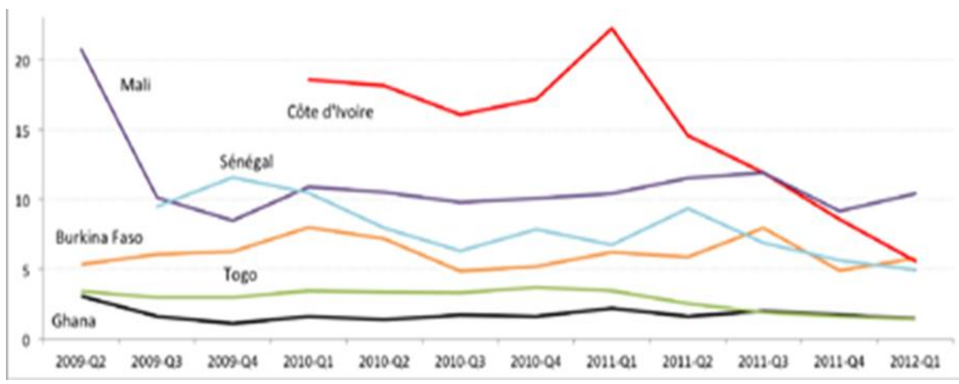
A new mechanism is needed to promote regional dialogue and advocacy on trade and trade facilitation within South Asia and, looking forward, toward inter-regional dialogue and cooperation with East Asia. There has been an evolving discussion among policymakers and practitioners in South Asia of the usefulness of transport or economic corridors to connect the regional economic poles, facilitate economic clusters that link regional and global production networks to strengthen the manufacturing sector, promote greater competitiveness, and create sustainable jobs. Managing an alliance of this nature may require management groups or committees, as well as an institution that is better equipped to address challenges and proactively design programs and strategies of a regional nature via a true public-private dialogue and coordination mechanism. This will help address regulation and infrastructure issues and ensure private sector participation (Aszigbey, 2007). One of the critical weaknesses in South Asia's regional integration efforts is the lack of such a strong regional public-private dialogue architecture. One approach to consider is a "borderless alliance" to bring together the combined interests and voices of the private sector to address regional trade issues (see box above).

West Africa Borderless Alliance, a Private Sector-Driven Model for Regional Trade Advocacy

The first such borderless alliance, initially piloted by USAID in West Africa through the West Africa Trade Hub (WATH), was established in 2011 as a pioneering effort to leverage private sector influence and promote regional dialogue and advocacy on evidence-based transport and trade policy reforms. The Alliance brings together 70+ large private sector companies and multinational corporations, SMEs, value chain/sector associations, and public agencies. The Alliance has an Executive Secretariat and national chapters or committees in participating countries. Border Information Centers are established at border points along key corridors to conduct surveys, collet data, and support in-country activities. The Alliance coordinates advocacy efforts with local/national chambers, shippers' councils, and other private sector stakeholder organizations. While donor support, both USAID and DfID, has been critical, the Alliance, through its impact, has been able to move toward sustainable self-funding through member dues and fee-based events.

The West Africa Borderless Alliance contributed to the reduction in the number of checkpoints and border related delays. By 2013, the number of checkpoints was reduced by 13% to 53% over the target countries, while illicit payments were down by 46% to 70%. Overall in target countries, delays were reduced by 29% to 61% (http://www.slideshare.net/ZHamoui/ba-overview-presentation-25970196).

Reduction in bribery per 100 km by country



Establishing a similar alliance in South Asia requires several key conditions be met, including a dedicated regional institution to mobilize stakeholder support for improvements in a particular economic/transport corridor and push for trade facilitation reforms, including improved border-crossing procedures. Its primary function would be to provide information to stakeholders, including government agencies, on current performance, needs for improvement, and successes of previous initiatives.

Second, where such alliances have been successful, such as in West and Southern Africa, there has been strong initial political and market support for their development. The alliance must have the initial support of central governments and regional/state governments that major corridor pass through and, ideally, the regional body (SAARC in this case). The alliance must have significant private sector support and be prepared to work with the public sector to improve procedures and policies (Arnold, 2006). The influence of selected private sector drivers in the West Africa Borderless Alliance was key to its launch and success.

Third, the alliance must set up a roadmap and clear goals to address issues in trade facilitation at the border (or along the corridor). The typical responsibilities of such an alliance include:

- Facilitate and remove physical and non-physical barriers to goods and people at the border or as they transit along the main corridor

- Set up stakeholder networks
- Monitor border/corridor performance
- Promote business development at the border and along the corridor
- Advocate for infrastructure improvements (Adzigbey, et. al, 2007)

Lastly, the alliance needs a sustainable income source to implement planned reforms at the border. Although the expenses depend on the business plan and administrative structure, the budget requirements at initial stages would include salaries and administrative expenses for a standing secretariat (which could be housed in or sponsored by an existing lead private sector body); data collection/surveys; studies; and technical proposals to enhance border/corridor performance, disseminate findings, and hold regular meetings.

Although USAID and other donor funding has been instrumental in setting up the Borderless Alliance in West Africa, it needs to have a broad private sector membership base to lend credibility and provide a source of sustainable funding. It will also encourage strategic partners (regional groupings and technical organizations) to provide financial and technical support. In West Africa, for example, from an initial group of six organizations, the Borderless Alliance now enjoys some 70 dues-paying members from the private sector across West Africa.[55] Its membership base draws from a range of organizations in the various supply chains, including port authorities, freight forwarders, logistics operators, manufacturers, traders, and farmers.

Feasibility and sustainability of piloting a bilateral borderless alliance in South Asia

There are sufficiently similar features of the trade environment between the Bay of Bengal countries and West Africa to justify investing in a feasibility and concept study to establish a Bengal Borderless Alliance. Nepal, Bhutan, North East India, and West Myanmar all depend on efficient transport corridors linking them to the rest of India and Bangladesh. Intra-ECOWAS trade in 2012 was $24.6 billion, while intra-SAARC trade (excluding Afghanistan, Pakistan, and Sri Lanka) in the same year was $26.7 billion. There are a sufficient number of cross-border traders and logistics transport firms who could benefit from and join the Borderless Alliance to advocate for improved regional connectivity. Individual firms and chambers that spoke with the IPEC team all expressed an interest in such a greater sub-regional dialogue. These traders trade along well-defined corridors currently being physically upgraded.

The remaining issue is the level of political willingness to address the key NTBs likely to be advocated by the Borderless Alliance. There is widespread support for MVA implementation with public and private sector corporations, for example, the DHL trial road freight convoy from Kolkata to Argatala via Dhaka in November 2015. However, advocacy will have to target both state and union governments in India to address para-tariffs and SPS/TBT capacity building. It would, therefore, likely be more effective to begin the research/media/advocacy program under a Borderless Alliance by focusing on stakeholders trading across one or two border crossings. The Borderless Alliance could begin by addressing impediments at Petrapole/Benepole. Given the introduction of transit trade under the MVA, the opening of the

[55] https://www.devex.com/news/how-a-public-private-partnership-is-tackling-regional-trade-challenges-in-west-africa-85202

new Indian ICP, and ongoing customs reforms in Benepole, now is an opportune time for the private sector to lead a border-level advocacy program. There is also demonstrated interest from the West Bengal state government to improve investment facilitation with Bangladesh.

Identification of Trade Facilitation Priorities

Potential priorities identified at the Petrapole/Benepole border post include:

- Establishing and equipping a laboratory at Petrapole to provide relevant conformity assessment certificates to Indian importers
- Rationalizing warehouse facilities and administration in Benapole
- Exploring use of EDI and exchange of declaration data between each customs agency
- Conducting joint weighing of trucks
- Ensuring sufficient facilities and services for truck drivers
- Ensuring efficient implementation of the BBIN MVA and other transit arrangements
- Ensuring sufficient covered inspection and scanning facilities
- Ensuring sufficient parking space for trucks waiting to be processed
- Ensuring sufficient security
- Ensuring sufficient banking and insurance services
- Reviewing the performance and effectiveness of customs brokers

USAID Action Plan for Piloting the Alliance

It is recommended that USAID supports the establishment of a bilateral border-crossing working group for the Petrapole-Benapole border crossing to expedite border-crossing times and costs. The group should include private and public sector reform champions from India and Bangladesh, including each land port operator; customs; the largest traders and road transport operators using the ICP; and local government leaders.

USAID could host a series of workshops under the sponsorship of the U.S. Consul General in Kolkata and the U.S. Embassy in Dhaka. The working group can address these actions:

- Fully operationalizing the recently opened ICP
- Implementing the BBIN MVA
- Addressing the Bongaon truck parking situation
- Ensuring border agency collaboration
- Ensuring appropriate risk management practices are implemented
- Addressing Benapole warehousing requirements
- Exploring joint-customs activities

It is also recommended that customs authorities from Bangladesh and India form a Petrapole-Benapole cross-border customs cooperation committee (if one does not already exist) to explore EDI and joint activities. Activities could be as simple as weighing trucks once or scanning trucks once, or as complex as sharing risk management results and joint physical examinations.

IPEC should support the cross-border working group and customs cooperation at Petrapole-Benapole as a pilot for other border crossings. The private sector members of the working group could form the pilot Bay of Bengal Borderless Alliance.

ANNEX A

FREQUENTLY USED NON-TARIFF MEASURES (NTMs) IN SOUTH ASIAN COUNTRIES

Note: n.e.s. = not elsewhere specified

Top 20 NTMs of Bangladesh

NTM code	NTM name
C100	Pre-shipment inspection
F100	Customs surcharges
E140	License combined with or replaced by special import authorization
A830	Certification requirement
A210	Tolerance limits for residues of or contamination by certain substances
A220	Restricted use of certain substances in foods and feeds
P700	Export subsidies
B700	Product quality or performance requirement
P690	Export technical measures n.e.s.
B830	Certification requirement
A330	Packaging requirements
A800	Conformity assessment related to SPS
E181	License for religious, moral, or cultural reasons
A820	Testing requirement
B110	Prohibition for TBT reasons
B150	Registration requirement for importers for TBT reasons
E381	Prohibition for religious, moral, or cultural reasons
B310	Labelling requirements
E389	Prohibition for non-economic reasons n.e.s.
A310	Labelling requirements

Top 20 NTMs of India

NTM code	NTM name
B310	Labelling requirements
F790	Internal taxes and charges levied on imports n.e.s.
F720	Excise taxes
F710	Consumption taxes
B830	Certification requirement
B220	Restricted use of certain substances
F900	Price control measures n.e.s
A220	Restricted use of certain substances in foods and feeds and their contact materials
A210	Tolerance limits for residues of or contamination by certain (non-microbiological) substances
B700	Product quality or performance requirement
B840	Inspection requirement
B150	Registration requirement for importers for TBT reasons
B853	Distribution and location of products after delivery

A140	Special authorization requirement for SPS reasons
B820	Testing requirement
I100	Local content measures
A330	Packaging requirements
E100	Non-automatic import licensing procedures other than authorizations for SPS or TBT reasons
A830	Certification requirement
B140	Authorization requirement for TBT reasons

Top 20 NTMs of Nepal

NTM code	NTM name
F710	Consumption taxes
G390	Regulation on official foreign exchange allocation n.e.s.
B140	Authorization requirement for TBT reasons
P110	Export prohibition
F610	Customs inspection, processing and servicing fees
P900	Export measures n.e.s.
B800	Conformity assessment related to TBT
F700	Internal taxes and charges levied on imports
F650	Import license fee
G400	Regulations concerning terms of payment for imports
F640	Stamp tax
P400	Measures on re-export
E300	Prohibitions other than for SPS and TBT reasons
A140	Special authorization requirement for SPS reasons
A310	Labelling requirements
B110	Prohibition for TBT reasons
A640	Storage and transport conditions
B600	Product identity requirement
A220	Restricted use of certain substances in foods and feeds and their contact materials
B830	Certification requirement

Top 20 NTMs of Sri Lanka

NTM code	NTM name
F690	Additional charges n.e.s.
A320	Marking requirements
A830	Certification requirement
A220	Restricted use of certain substances in foods and feeds and their contact materials
B140	Authorization requirement for TBT reasons
P130	Licensing or permit requirements to export
F710	Consumption taxes
P110	Export prohibition
C900	Other formalities n.e.s.
B110	Prohibition for TBT reasons

F790	Internal taxes and charges levied on imports n.e.s.
F400	Customs surcharges
B700	Product quality or performance requirement
B310	Labelling requirements
B830	Certification requirement
B220	Restricted use of certain substances
P620	Certification required by the exporting country
A190	Prohibitions/restrictions of imports for SPS reasons n.e.s.
A310	Labelling requirements
B600	Product identity requirement
B900	TBT measures n.e.s.
A890	Conformity assessment related to SPS n.e.s.

ANNEX B

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